

Turkey takes off

Why its stock market is a star performer merging markets, Page 30



Where there's smoke

EU ministers tackle tobacco advertising



Oil and gas industry

Bad news and good as the mood swings Survey, Pages 31-33

**US** and

attack

delays

EU under

over Gatt

# FINANCIAL TIMES

Europe's Business Newspaper

MONDAY DECEMBER 13 1993

# drive for boost in jobs and growth

More than 60 ministers arrive in Brussels today to begin enacting ambitious plans for reviving employment and growth in the European Union and to resolve damaging internal differences over trade. The plans were agreed at the Brussels summit which ended on Saturday with a semblance of political unity and widespread praise for Commission president Jacques Delors. Page 22; Summiteers at odds, Page 2; EU pledge, Page 3; Editorial Comment, Page 21; Lightness of tonch, Page 21

**Telecoms bidders:** Five leading international telecommunications operators are to he invited to hid for one of the largest service contracts ever awarded in Europe, Page 22

Frei wins presidency in Chile:



peace initiative. Page 22

Chilean newspapers hailed Eduardo Frei's overwhelming victory in presidential elections as he said his first act on taking power would be to work to end poverty. Final results showed that Frei, candidate of outgoing President Patricio Aylwin's ruling centreleft coalition, won

58 per cent of Saturday's vote. Page 6 Policemen murdered: UK prime minister John Major faced conflicting pressures from Dublin and Ulster Unionists as the weekend murder hy the Irish Republican Army of two Northern Ireland police cast a shadow over the Anglo-Irish

Basie proposals criticised: Leading banks have stepped up their criticism of proposals from the Basle-based committee of international regulators to make them set aside additional capital to cover risks in foreign exchange, securities and derivatives trading. Page 23

China warns Patten: The war of words between China and Britain over Hong Kong escalated, with a senior Chinese official suggesting for the first time that Governor Chris Patten's democracy plans for the colony could provide a pretext for an early Chinese takeover there, Page 7

Hungarian premier dies: Prime minister Jozsef Antali, 61, leader of Hungary's first post-communist government, died in hospital in Budapest after a long fight against cancer. Page 6

Renault go-ahead: The privatisation of Renault will go ahead as planned in spite of the failure of its merger with the car and truck activities of Volvo of Sweden, French industry minister Gérard Longuet sald. Page 26

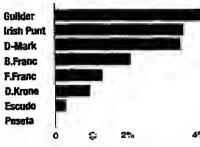
Gore itinerary changed: Fog at Alma Ata in Kazakhstan forced US vice-president Al Core to travel instead to Kyrgyzstan at the start of a four-nation visit to the former Soviet Union.

nvestments shift: Fund managers are increasing their investment in UK and US equities at the expense of Japan and continental Europe, according to the latest Smith New Court/Gallup

European Monetary System: The Dutch guilder last week became the strongest currency in the system, pushing the Irish punt into second place. Its disparity with the Spanish peseta, the grid's weakest member, was some 3.98 per cent. The currency market's focus this week will be on the Gatt world trade talks and Thursday's meeting of the Bundesbank's central bank council. where Germany's central bank will announce its M3 money supply target for 1994. Currencies, Page 39; Lex, Page 22

EMS: Grid

December 10, 1993



The chart shows the member currencies of the exchange rate mechanism measured against the weokest currency in the system. Most of the currencles are permitted to fluctuate within 15 per cent of pareed central rates paginst the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a narrow 2.25 per

US withdrawal: The US announced it will withdraw about 2,500 of its 8,200 troops from Soma-ha by Christmas. The news came as Somali gunmen wounded two US military police in Mogadishu.

Boost for Lloyd's: Amaigamated Banks of South Africa will today announce a \$19.4m invest-ment in a Lloyd's insurance subsidiary, providing a much needed fillip for the insurance market's

initiative to attract corporate capital. Page 24 Coal strike nears end: Members of the United Mine Workers of America look set to agree an end to the seven-month US coal strike. Page 6

Airlines settle: Canadian Airlines International and American Airlines have settled their dispute with the Gemini computerised reservations system. bringing the two carriers within reach of a long-delaved alliance. Page 26

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**EU ready to begin** Narrow win for constitution **II** Strong support for extremist parties



Yegor Gaidar and his wife Maria (left) arrive to vote, a Russian father and son (centre) ponder a ballot paper and hardline Communists gather in Red Square

# Voters back Yeltsin reforms

By John Lloyd and Leyla Boulton in Moscow, and Chrystia

Russian voters yesterday narrowly approved plans for a reformed constitution which would give strong powers to President Boris Yeltsin, according to exit polls.

However, the elections for the Russian parliament showed fragile support for radical reform. The Communist party and the neo-fascist Liberal Democratic party of Mr Vladimir Zhirinovsky were the main beneficiaries of a low turn-out.

Germany's ARD public televislon news last night reported an exit poli carried out by Russian

23 per cent had voted for the reformist Russia's Choice, 17 per cent for the Communists and 13 per cent for the Liberal Democrats. These results would give Russia's Choice just 61 of the 225 seats in the lower house reserved for the parties. The Communists and the Liberal Democrats com-

hined would get 70 seats.

Amid the welter of conflicting exit polls, it is clear that none of the reformists, including Mr Yegor Galdar's Russia's Choice, would win a convincing popular mandate. Extremist parties will he strongly represented in the new parliament.

The reformers' weak showing . will be offset if the apparent vote in favour of President Yeltsin's

■ Presidential power in voters' hands

Soldiers look for (eadership

Page 9 Folks tire of Yeltsin

after the polls closed, Mr Sergei Filatov, the president's chief of staff, claimed that over half the electorate had voted: the first hurdle for the constitution. The constitution appears to have been solidly approved. ARD said that 71 per cent of those voting had

However President Yeltsin appears to have won by only the narrowest of margins. The large city of Ekaterinburg, the president's home town did not register a 50 per cent turn-out, while even St Petershurg, Russia's second city, was struggling to get over half the voters out. In Moscow, a 50 per cent of voters turned out with less than two hours to go and voting dwindling to a thin

The president's office said the turnout in rural areas was higher than that in the cities, a bad sign for the reformers, who rely on a more radical urban vote for their

support, Mr Zhirinovsky's Liberal Democrats were repeatedly reported

faced a record choice of 20 candi-

dates for just one seat in the new

State Duma, or lower chamber.

Of them only four were attached to a party - including

Mr Zhirinovsky's nhiquitous Lib-

eral Democrats. Yet Russia's

Choice was not among them. The

men and in individual rural districts, it was sometimes first. Mr Zhirinovsky, who has surged from around 2 per cent when the campaign hegan in November to a position in the last opinion polls just hebind Russia's Choice, ran a high-en-ergy and apparently well-fi-

nanced TV campaign.

He promotes a hlend of imperialistic bombast, wild promises of instant cures for the economy and a scabrous and witty commentary on the progress of reform - a mixture which appears to have caught on, and which he can be expected to continue from the parliamentary

tial power as genetically alien to

Against this confusion, the

city's poverty offered a powerful

incentive for a backlash against

the recent market reforms

This announcement appears as a matter of record only

the people of Russia".

#### and David Gardner in Brussels The US and European Union were accused yesterday of block-ing progress in the Uruguay Round of trade reform talks.

Mr Peter Sutherland, director-general of the General Agreement on Tariffs and Trade, said: "Success is tantalisingly close hut dangerously at risk because of a small number of issues that bedevil the agreement."

The issues separating the two "pale into insignificance against what has already been agreed," he insisted. "It is time for recognition that they have an obliga-tion to lead. That means taking difficult decisions, recognising overall priorities and not allowing issues to be obfuscated by comparatively small matters."

US and European Union trade negotiators continued talking in Geneva yesterday evening in a nerve-racking game of brinkmanship that appeared to leave the successful outcome of the trade talks by the December 15 deadline in the balance.

From a breakfast-time disclosure by Sir Leon Brittan, the EU trade commissioner, that talks were "in crisis" in spite of four hours of discussion by trade min-isters from Canada, the US, Japan and the EU on Saturday, the mood seesawed through the day as talks faltered and then

began again early in the evening.
After the talks resumed there were signals that the fierce dispute over anti-dumping rules had been settled. Details were not expected until today.

Overnight, Mr Mickey Kantor,

the DS trade representative, said after telephone consultation with Mr Lloyd Bentsen, the US Treasury secretary, that negotiations over the terms of including financial services in the Uruguay Round accord were deadlocked.

While speculation spread that negotiators were examining exclusion of financial services from the negotiations, later comments confirmed that the US-EU dispute over access to Europe's television and film markets was

EU issues pledge it hopes never to redeem, Page 3 Gatt's last hurrah, Page 27

#### Reformist disunity benefits nationalists unable to counter Mr Zhirin-By Leyla Boulton cratic ineptitude in the city's other 16 represented themselves Nowhere was this clearer than with primitive platforms ranging from "common sense" to "the restoration of Soviet power and the elimination of presiden-Northern constituency bordered on the farcical. There voters

If the charismatic neo-fascist, Mr Vladimir Zhlrinovsky, scores as well as expected today in Russia's first multi-party elections, he can thank his reformist opponents in cities such as St Peters-

Traditionally a bastion of snp-port for reform, the weekend elections in Russia's second city displayed all the ingredients of what its mayor, Mr Anatoly Sob-chak, yesterday described as a "lesson" for the country's divided and disorganised demo-

Not only did the reformist parties fail to unite around their pro-market and pro-democracy convictions, they also proved "Only Zhirinovsky articulated

clear phrases setting ont what he plans to do," claimed Nadya, a speech therapist who justified voting for him by describing the 12 other parties in the election as "an amorphous mass".

Selling painful market reforms is harder than promising instant economic well-being, an end to crime and the restoration of national greatness - as Mr Zhirinovsky has done with great skill. A potent cocktail of poverty and intellectual disillusionment with the reformers has created the potential for a fascist

But few reformists woold argue they ran a good campaign.

ovsky's populist promises with a in St Petershurg's Central con-coherent message of their own. stituency, where Mr Alexander Nevzorov, a popular ultra-nationalist whose vitriolic "600 Seconds" TV show was recently taken off the air, stood against two democrats who seemed more intent on knocking each other out than on stopping him.

In an election where there will be no run-off, disciplined extremists could only benefit.

Unlike the pro-government Russia's Choice bloc, and the reformist Yahloko bloc, Mr Zhirinovsky had no problem ordering his representative to stand down in favour of Mr Nevzorov, who has gleefully called these elections President Borls Yeltsin's "first mistake".

A similar spectacle of demo

# Hold-up in Israeli pull-out hits Mideast peace process

By Mark Nicholson in Cairo nd Julian Ozanne in Jerusalem

The Middle East peace process suffered a clear setback yester-day after Israel delayed pulling out its troops from Gaza and Jeri-

The decision came after Mr Yitzhak Rabin, the Israeli prime minister, and Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, falled to agree the security details of the with-

The Israeli troops were due to pull out today under the outline peace deal signed in Washington in September.

The two leaders, speaking st separate press conferences after more than two hours of talks, said only that they had agreed to meet again in Cairo in 10 days. Mr Rabin said the main differ-ences were "who is responsible

for the lines dividing the territories and Jordan and Egypt, the problem of difficulties at the bor-

raise the prospect of increased violence in Gaza and the West Bank Mr Faisal Husseini, PLO chief for the West Bank, warned that without positive results from the summit and a serious set of gestures today "the whole region will be on the brink of a volcano".

der, and the size of Jericho".

The delay to the pull-out will

Mr Arafat appeared particularly dejected after the talks. Asked if the failure to meet the original deadline for the start of an Israeli withdrawal might spark further clashes, Mr Arafat

replied only: "I hope not". However, Mr Rahin said he hoped that agreement could be reached at their next meeting. He said: "I don't see any reason why in 10 days from now we cannot reach agreement on these Asked why he believed agree-

sons. I will not explain them. Mr Arafat, pressed for any like lihood of progress within the next 10 days, said only that "the most important thing is that we are both committed to the decla ration of principles" signed in Washington.

Both men said discussions would continue on economic co-operation in Paris, and on the transfer of authority from Israeli to Palestinian administration in Gaza and Jericho in El Arish, the Egyptian resort.

Mr Rahin said he was confident the full withdrawal could still he comfortably accomplished before the April 13 deadline outlined in the peace accord.

Before Mr Rabin left for Cairo he had told a cahinet meeting he would compromise with Mr Arafat on the size of the Jericho area hut would not concede control over border crossings. Mr Rahin ment might then be possible also said differences over secu-where it was not yesterday, he rity for the main Israeli settlereplied only: "I have some reament in Caza could be resolved.

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Tellard and Strongtone 13-16 LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO

Summiteers at odds over Ecofin council's role

# **EU Rottweiler both** petted and panned

If there is one question unresolved following the Brussels summit, it is the strange case of the European finance ministers' split personality.

As a result, finance ministers return to Brussels today to discuss the technicalities of carrying forward the ambitious growth plans agreed by their political masters on Saturday, not quite sure whether they are the angels or the devils of the new European Union. The answer probably depends on

your point of view.

At one extreme, there is Mr Jacques Delors, the European Commission president. In an animated contribution to Saturday's post-summit press conference, he condemned the regard it as a finance ministers as both arrogant and ignorant on the subject of funding for new cross-border infrastructure projects.

'lgnorance doesn't prevent you from getting on as a politi-clan, but sometimes if you know wbat you're talking about it is quite useful," he told journalists.

At the other end of the scale is Mr John Major, the British prime minister, and an enthusiast for a powerful Ecofin council. On Friday, he railed against the Belgian presiden-cy's decision to exclude the finance ministers from the leaders' discussion of EU growth plans, claiming it was like preventing the "resident physician" from belping to analyse the patient's fever.

On Saturday, Mr Major went further. Many heads of govern-ment, he said, had reacted to the approach of the finance ministers hy "bolding up a clove of garlic and shouting to keep them away from the building. Mr Major probably had in mind the attitude of President François Mitterrand, who told fellow leaders on Friday that sending the detail of Mr Delors' growth plans back to finance ministers would be the same as burying

In fact, the Ecofin council has already built up something of a reputation as the Rottwei-

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ler of the Union's many ministerial groups. To governments which want to defend themselves against unpalatable extra expenditure or fiscal measures it is a useful guarddog, but to other governments, the Commission, and even ministers in other councils, it can be a dangerous nuisance with a tendency to savage their pet

In June, for example, tha Ecofin council effectively shelved the idea of a European

Some see it as a useful guard dog, others dangerous threat to their pet ideas

energy tax, in spite of earlier agreement between energy and environment ministers on the principle. During the Belgian presidency, the ministers have found themselves at loggerheads with the Commission over its white paper on growth, competitiveness and amploy-ment, and proposals for legally hinding macro-economic guidelines. Finance ministers have also heen condemned by Mr Delors for their sluggishness in enacting EU leaders' promises on a European growth initia-tive at the Edinhurgh and Copenhagen summits.

The hone of contention at the Brussels summit was Mr Delors' suggestion that the EU should find some Ecu8bn (£6.1bn) of extra financing each year to back big infrastructure projects in energy, transport and telecommunications, possibly by issuing "Union bonds". After the meeting, Mr Major and Mr Kenneth Clarke, his

chancellor of the exchequer, said this idea had been thrown out by leaders. But, Mr Jean-Luc Debaene, the Beigian prime minister who chaired

the meeting, said "all the options were open, including ths possibility of Union

For Mr Dehaene and Mr Delors it was more important that leaders had backed the principle of an action plan, including infrastructure investment, and measures to improve employment opportu-

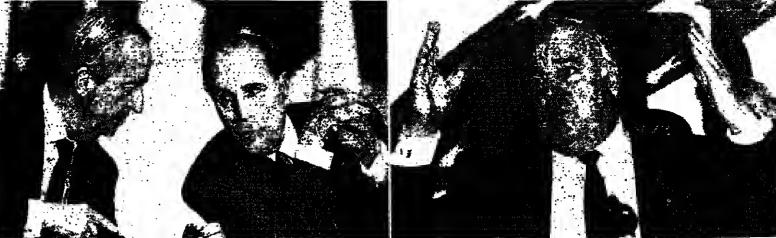
However, when pressed on the funding question, Mr Delors was crushing about some finance ministers' claim that the European Union or the old European Community had rarely, if ever, borrowed money on such a scale. "The finance ministers were very arrogant about this, but if I'd asked how much the Community had borrowed this year, they would have got nought out of 20," he said.

In 1993, he pointed out, the Union had borrowed Ecu6bn and been named "borrower of the year"; in 1979, the member states won a facility to borrow Ecu7bn which was lent on to companies; in 1975, Ecu6hn was borrowed to cope with the oil crisis.

Nonetheless, it is finance ministers who will bear tha hrunt of the follow-up work on trans-European networks, the growth initiative and further According to the summit

communiqué, finance ministers are expected to finalise the text on macro-economic guidelines today and report back annually on its implementa-They must also adopt a system of interest-rate subsidies

for small and medium-sized companies before the end of the year; assist the Commission in implementing infrastructure programmes "efficiently, consistently and as soon as possible"; and study, together with the European Investment Bank and the Commission, how to mobilise that additional Ecu8bn a year for Investors in networks. Whether or not the ministers do their bomework, it seems that the Ecofin council is indis-



Chancellor Helmut Kohl (far right) makes a point to the press, while Mr Edouard Balladur (left) has a quite word with President Fançois Mitterrand

## More retreat than defeat on Euro-laws

By David Gardner in Brussels

Legislation on drinking and bathing water quality is to be recast into mors simplified "framework" directives, with standards that EU member states will be able to implement as they see fit, leaders decided at the weekend.

This body of EU law was among a range of regulations the European Commission has reviewed in the light of the Union's subsidiarity doctrine, which in theory licenses action at European level only when national, regional or local mea-

sures would prove inadequate. The Commission agreed to repeal 16 of 22 laws on an Anglo-French "hit-list." itself a much scaled-down version of the 71 items the UK had originally wanted discarded. However, the Commission review document approved hy the summit on Saturday was not a surrender. The political cli-mate which has developed as a result of the nearly 300, often intrusive, Euro-laws which put the Single Market in place, and public reaction to the Maas-

tricht treaty, has chastened

Most of the legislation in the review is for recasting and simplification rather than outrient scrapping. It includes a vast corpus of customs legislation, rules on takeover hids and indirect taxation, on the classification of pharmaceutical products and foodstuffs, on mutual recognition of profes-sional qualifications, as well as the water directives dating from the late 1970s.

The document warns on the water directives that "application of the subsidiarity principle must not be allowed to lower these standards". And it

specifically excludes from the review the urban waste water directive, which Mr Kenneth Clarke, UK chancallor, attacked last month on cost grounds, and officials in London had expected to be axed. Also excluded were individ-

ual social and employment Euro-laws on the grounds that the recent Commission green paper on social policy has started "a broad debate on the future options of the Union in this field". The so-called "acquired rights" directive, protacting workers' rights when their company passes

into new hands, is to be amended next year "to simplify its application and enhance its

The change of heart is most unlikely to lead to a general roll-back of EU legislation. An underestimated aspect of the post-Maastricht climate is the more uninhibited way in which member states prosecute their national interests, and partly as a result, mistrust each other to implement agreements and laws reached jointly. This, as Brussels well appreciates. often leaves EU institutions holding the ring.

# Clarke's capers cut little ice

Philip Stephens on the UK chancellor's startling summit debut

Mr Kenneth Clarke prides himself on being one of the British cabinet's good Europeans. He owns up to believing in a single European currency. He speaks of the post-Maastricht European Union with-out hiting his lip. Mr John Major prefers still to refer to the European Community.

But the chancellor of the exchequer's performance in Brussels over the past week has left more than a few of his European counterparts perplexed and not a little irritated. Mr Clarke himself appears characteristically unperturbed.

Last week started with him denouncing Mr Jacques Delors' white paper on growth, competitiveness and unemploy-ment even before he had seen the final version. By the end of the summit the new boy on the Brussels block was boasting that the finance ministers had successfully "filleted" the document before it was incorporated in the conclusions of their leaders. Those conclusions would not

require the British government to change any item of its policy". In between Mr Clarke had denounced

Mr Delors for trying to slip the document past the finance ministers.

Overall, it was not a performance to endear him either to Mr Delors or to colleagues from other European capitals. "Why does he behave like this?" asked one bemused Commission official. It is partly a question of style. Good

Europeans are supposed to behave like the urbane Mr Dongals Hurd, the foreign secretary, fighting their national corner with softly spoken charm and sophistication. Mr Clarke, who hails from the streetcorner school of politics so admired in the British House of Commons, has not learnt to speak the language of diplomacy. An instinctively rumbustious politician, he perhaps never will.

So plans for the Community to raise an extra Ecu40bn (£30.5bn) for infrastructure

projects through Union Bonds were not "misguided" or even "mistaken". They were nonsense, nothing more than an attempt to catch an easy headline.

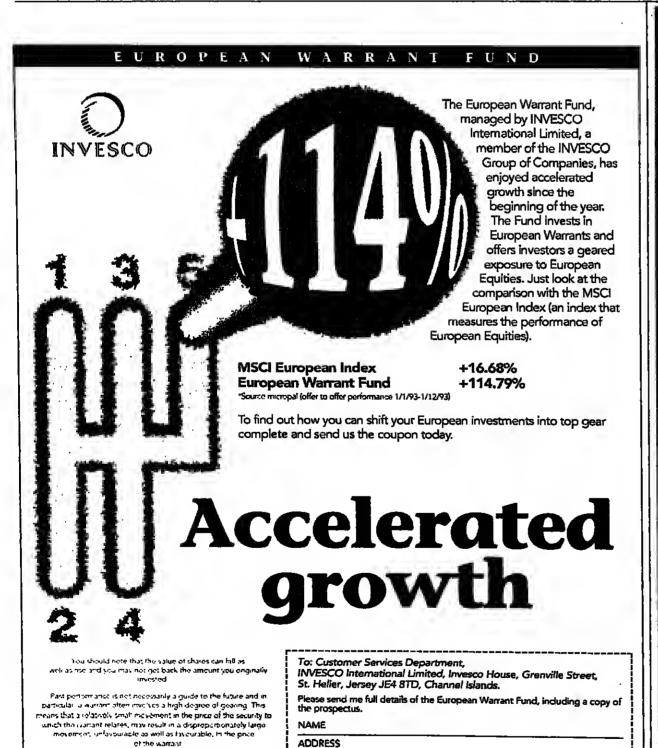
Nor was he modest in his claims for British achievements at the summit. Europe's decision to back supply-side policies aimed at lowering employment costs, boosting competitiveness and deregulat-ing markets had demonstrated the UK was firmly in the European mainstream. Understandably perhaps, he was more ret-leent about the fact that the central elements of Mr Delors' white paper had been endorsed by other governments.

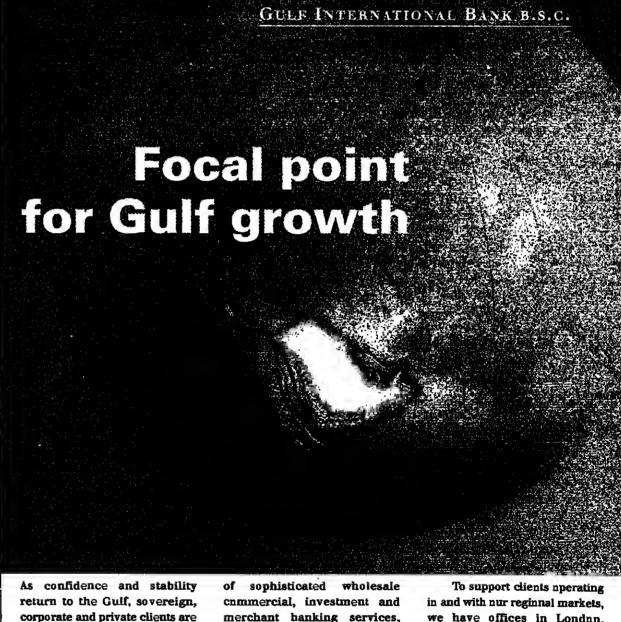
British officials are convinced that his European colleagues will get used to Mr Clarke's rougher edges - and will discern through the occasional hluster e genuine commitment to Europe. The chancellor's own assessment at the end of the week was typically uncompromising: "My cre-dentials are impeccably European."

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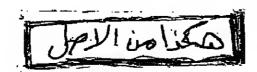
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# of tighter

By David Gardner in Brussels

sanctions

Sanctions against Serbia will be tightened unless it cedes some conquered territory to Bosnia, European Union leaders warned at their summit.

But they invited the Serb, Bosnian and Croat leaders to meet their foreign ministers in Brussels on December 22, to take up what the summit conclusions described as "now a real possibility of achieving peace" in Bosnia.

The special meeting is also aimed et averting what the summit called the "humanitarian disaster... threatening Bosnia-Hercegovina this winder." ter" because of the warring parties' failure to comply with undertakings their political and military leaders gave to the Twelve in Geneva on November 29, to allow unimpeded passage to aid convoys.

The Union, which on November 22 threatened to use mili-

tary force to get the convoys through, warned in the conclusions that the factions "must edinere strictly" to what was agreed in Geneva.

Next week's meeting was convened under German pressure, in spite of nervousness by the current Belgian presidency of the EU that new peace talks could fail. Even Mr Klaus Kinkei, Germany's foreign minister, put chances of success et "still 50-50" but Chancellor Helmut Kohl said: "I can only hope that, a few days before Christmas, we will see some more reason and humanity" in Bosnia

The Twelve appeared to agree with Lord Owen, the EU's negotiator on Bosnia, that a breakthrough may be possible if real pressure is applied to the warring parties. There was also concern among some delegations that Greece, which takes over the rotating EU presidency from Belgium next month, might be seen as less than impartial because of its traditional sympathies towards

But Mr Theodoros Pangalos, the Greek alternate foreign minister who will chair the Council of Ministers tonic Ian-uary, told the FT on the eve of the summit that he thought the Serbs would agree to the land-for-peace formula the EU offered in Geneva. "Nobody should be tempted into waiting for a spring offensive" in an .

The summit conclusions underlined that "the Serbs must be aware of the responsibility they take upon themselves should they continue adopting an inflexible attitude. They must realise that only real territorial concessions by them in Bosnia-Hercegovina and acceptance of the modus vivendi in Croatia will induce the European Union to work. as it promised to do in Geneva, for the progressive and conditional suspension of sanctions in line with implementation." Earlier ettempts, led by Ger-

many, to get sanctions toughened, were softened into an EU commitment to "promote a more rigorous application of sanctions" against Serbia until a peace settlement requiring it to cede 3-4 per cent of the territory it holds in Bosnia. At the summit, Lord Owen

was warned by EU external relations commissioner Mr Hans van den Broek against giving Serbia's President Slobodan Milosevic the impression that he could secure more territory if he ended the war.

# Serbians EU issues a pledge it hopes never to redeem

The European Union issued a promissory note to French farmers et the summit to get France to sign up to the Uru-guay Round world trade deal now within reach But it is far from certain that the EU will have the resources to redeem

this pledge if the note is ever

presented for payment.

At the same time, the 12 heads of government issued negotiating guidelines on textiles, cinema and broadcasting. and future multilateral trade rules and weapons, which could complicate efforts to conclude the Gatt talks in Geneva. EU foreign ministers start what could turn into a weeklong meeting today to try to put flesh on the bones of the summit's Gatt guidclines, which Sir Leon Brittan, the chief EU trade negotiator, will also have to factor in to his

The French hard line encouraged countries like Spain, Por-

tugal, Greece, freland and Belgium to come forward with their own last-minute lists of demands that had to be satisfied either within the Gatt negotiations, or to offset damage to national interests if a deal is reached. The summit conclusions

importance to one member state", in implicit reference to Portuguese threats to veto Gatt unless the US offers more market access for textiles, or the EU helps Portugal restructure its textiles sector.

described textiles as "of vital

The conclusions also require

ment of audiovisual matters drafted at the summit. both now and in the future". France, with strong backing from countries such as Spain and Belgium, wants cinema and broadcasting kept out of Gatt altogether to guard against further cultural "inva-

sion" from the US.

Greek objections to US protectionism in ocean shipping probably mean that maritime transport will now be taken out of the Geneva negotiations, Brussels officials say. The French and Spanish

demand for tougher trade defence mechanisms to put up against US Section 301 legislation will be looked at by the

tees special and separate treat- of a plausible compromise

David Gardner on the potentially heavy price for a Gatt accord

On agriculture, France demanded a guarantee that farmers would not have to "set aside." or take out of production, any more land if the output forecasts of the reformed common agricultural policy push the exportable agricultural surplus above Gatt limits on subsidised food exports.

In practice, that would mean cutting prices to world market icycls so the EU could export without subsidy. Farmers would then get direct compensation for the cuts which would cost the EU hudget Ecu2hn (£1,52hn) for every Ecu10 by which the world price target had been missed.

A joint Franco-German text spelled all but the cost of this out, and in addition, offered German farmers guarantees their incomes would not be affected by any further revaluation of the D-Mark, as well as letting east German farmers off part of the penalty for exceeding by 10 per cent the area

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they are allowed to plant. In the event, France got the more ambiguous commitment that if the CAP forecasts and Gatt limits collide, this would not increase the restraints of the reformed CAP". The EU "would, if necessary, take the requisite steps while respecting the decisions of the Edinburgh European Councit" last on EU farm and budgetary expenditure. The German demands, which could prove even more costly than France's, have been left for fur-

Mr Edouerd Balladur, French prime minister, who has to sell a Gatt deal to parliament this week, acknowledged that the set-aside guarantee was implicit, but insisted that "it is agreed that what needs to be done will be done". Mr John Major, UK prime

own resources (EU budget) limit and that has been egreed". Do these commitments add up?

minister, chose to emphasise

1996. The revised Blair House EU-US accord on farm trade pushes part of the Gatt cuts towards the end of its six-year timetable. So nothing should have to be done until around 1997, and only then if production projections are wrong. But by then, the EU hudget, which moves up in line with comhined gross domestic product, should have more resources,

assuming growth resumes.

But if Germany eventually gets the "green" D-mark for-mula it wants - the costly "switchover" mechanism which raises farm prices in all countries in line with the strongest revaluing currencies - such calculations could be

#### Deadlock broken over R&D spending

EU leaders have managed to break the deadlock over finan-cing the Union's research and development budget for the

next five years.

They agreed that the total budget for the EU's fourth "framework programme" of research and development, which runs from 1994 to 1998, should be "not less than Ecn12bn (£9.14bn), to which might be added a reserve of Eculbn (2760m), to be released at a later date. That appears to represent a

small victory for the European Commission, which had pro-posed an R&D budget of Ecula.1bu for the five-year programme. That plan was supported in meetings of research ministers by nine member states. But at last Monday's research council, the Union's biggest paymasters, France, Germany and Britain, eld out for a lower figure said to be around Eculibu . and the issue had to be passed to the summit.

The leaders acknowledged that the research programme ment in support of the general growth plans agreed on Satur-day. In their communique they said "the implementation of an ambitious, well-targeted tutes a significant contribution to efforts towards recov ery, particularly in areas such formation technology

If the Ecul2bn budget is approved by the European parliament, some Ecu10.5bn will be spent on the R&D projects themselves, and the rest on training, international co-operation and dissemination of results. Research ministers have already agreed that 28.2 per cent of the Ecu10.5bn should go to fund information technology and communications research, 18.15 per cent towards non-nuclear energy projects, 16 per cent to indus-trial technologies, 13.1 per cent to life sciences, such as biotechnology, and 9 per cent to environmental projects.

Even at a reduced figure of Ecul2bn, the fourth framework programme is, in abso-Inte terms, the largest ever undertaken by the EU. But Commission officials point out that it cannot be compared directly with the 1990-94 programme (worth Ecn6.6bn) because of inflating and changes in its composition.

# Kohl plans to take Europol under his wing

Germany will make a special effort during its presidency of the Union next year to strengthen the powers of Europol, the fledgling pan-European police agency, in tackle organised crime. At e news conference after the summit, Chancellor Helmut Knhl described organised crime as a "can-cer" spreading through the EU. "The

need for intense co-operation between governments is urgent," he said. During the summit, EU leaders approved a plan of action, drawn up by justice and home affairs ministers last month, to reinforce the fight against drug trafficking, money laundering and organised crime.

But although other leaders and the Belgian presidency only touched on the issue in their briefings, Mr Kohl

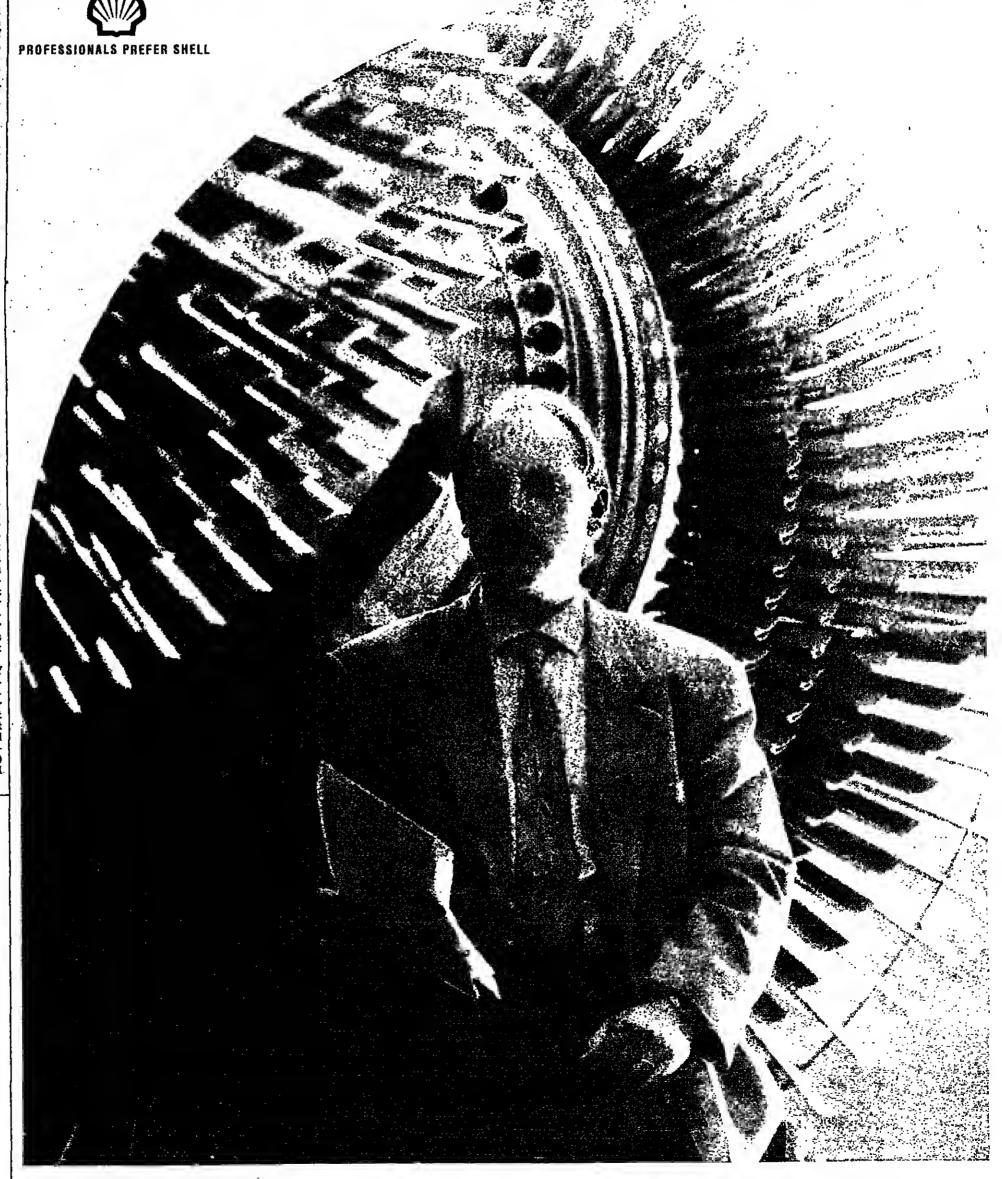
made a special effort to underline the need for greater co-operation. He is known to bave been disappointed that he did not persuade his fellow leaders to insert more robust commitments on international crime-fighting ioto the Maastricht treaty two years ago.

Europol, based in The Hague, is currently charged with co-ordinating the European fight against drugs traffick-ing, but EU leaders agreed that a special Union convention should be pre-pared by next October aimed at broadening its responsibilities. Mr Kobl said a pan-European

approach was the best way to tackle such cross-border problems, as regional and local police were unqualified to deal with international crime. As if to underline the difficulty of getting 12 member states to agree on

sensitive justice and interior matters,

EU leaders were forced to note in their communique Spain's objection on principle to implementation of common EU action on asylum. Madrid is protesting about Belgium's sympathetic treatment of two Spaniards suspected of links with Eta, the Basque terrorist group. It wants to extradite the pair but last week a Belgian court freed them pending investigation of their plea for political asylum.



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Turbine engineer Norbert Hein knows a thing or twn about hot air. So he is usually sceptical when manufacturers trumpet their latest development. Except that Norbert really hes noticed e difference in the performance of his car's engine since he switched to Shell Advanced Unleaded. And his turbines? We're working on that Norbert.

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# **US** grounds aircraft subsidy talks

Negotiations on a Gett code disciplining state subsidies for aircraft ground to a standstill at the weekend after US industry representatives said the proposed agreement was unac-

Right now I don't see the aircraft agreement as a basis for going forward," a senior US official said yesterday. The impasse followed strong objections by American engine and component manufacturers to heing included in the revised code, which would restrain subsidies of all kinds to the aircraft industry.

There were signs later in the day that another attempt might be made to resuscitate the talks. Officials were reluctant to term the issue a "round-hreaker", hut failure would be a serious setback to efforts to secure fairer competition in the aircraft sector.

Trade negotiators from other countries involved in the aircraft talks said the US industry was making a strategic mis-

would rein back state supports for the aircraft industry around the world, including emerging competitors in the Far East. The industry is the

US's biggest export earner. The US and EU agreed last year to press for "multilateral-isation" of their 1992 hilateral accord capping etate subsidies to the European Airhus and placing a limit on US indirect supports via military and space research contracts for aircraft

manufacturers. However, the bilateral pact applies only to large civil aircraft, whereas Gatt's existing civil aircraft code applies to all aircraft and components, and covers 22 signatoriee with a wide variety of subsidy

The US industry is objecting to inclusion in the revised code of provisions that would impose tighter disciplines on research-based subsidies than those included in the separate, and more general, euhsidies agreement being negotiated in

Negotiators on financial, shipping and audio-visual sectors at loggerheads

#### Portugal **Socialists** Haggling clouds Gatt hopes on services

By David Dodwell, World Trade

Hopes for a wide-ranging Uruguay Round agreement to boost international trade in services were clouded yesterday as US and European Union negotiators continued to hag-gle inconclusively over reform of key services sectors.

While Mr Peter Sutherland, Gatt'e director general, railed at the US and the EU for failing to settle their differences, negotiators on financial, ehip-ping and audio-visual services remained at loggerheads in spite of intensive meetings throughout the weekend.

Trade officials questioned what would be left of any agreement to liberalise trade in services if commitments in hanking, securities, shipping and the entertainment industry were minimal.

In literal terms, it would include trade in insurance services, tourism, construction, professional services, consultancies, and limited easing on the movement of workers, but ese are small by comparison with the three sectors hlighted by dispute.

One senior official called for negotiators to rein in their amhitions in order to make compromise possible. He reminded negotiators that pres-



Mickey Kantor and Sir Leon Brittan in Geneva: audio-visual services remain higgest obstacle

ent disputes ignored how much to liberalise services had become since the decision in Punta del Este in Uruguay in 1986 to bring trade in services

into the Gatt.
"At Punta del Este we were talking only of a framework of rules for services. It was only in 1990 that countries raised their sights to the idea of getting commitments to liberalise. It is true that most of the offers today offer little more than standstills, but at least that is

a start. They provide a foundation for us to work from in future rounds."

He insisted the US had "very substantially modified its posltion" since summer, when negotiators were warning they

to be considering whether some kind of carve-out could be managed for financial services which would allow negotiations to continue beyond the December 15 deadline for completion of the Uruguay Round agreement. Officials question how a services agreement could be completed in such circumstances, or even whether the entire Uruguay Round package would not he jeopardised if commitments on financial services remained unclear.

On maritime services, negotiators gloomily predicted that ocean shipping now seemed unificely to remain in the Uru-guay deal, after EU officials discovered on Thursday that a US offer was much more lim-

ited than originally expected. The most critical "roundbreaking" issue remained the US-EU row over access to Europe'e television and film industries. Mr Mickey Kantor. US trade representative, said erday he felt all other differences could he settled if compromise could be found on the audio-visual issue.

Mr Jack Valeoti, president of the Motion Picture Association of America, insisted that "we are really trying to be flexible".

#### foreign banks and brokers no worse than that currently Negotiators are understood

The Portuguese voted yesterday in nationwide municipal alections in which the opposition Socialists were expected to inflict a significant defeat over the ruling Social Democrats of Prime Minister

victory

sense poll

Anfbal Cavaco Silva. Mr Cavaco Silva accused opposition forces of trying to push the vote beyond local issues into a national verdict on government performance in dent Mario Soares, himself a Socialist, to dissolve parliament and call an early general election hefore the next schednled hallot in October

Mr Soares would consider calling an early election if the poll and a ballot for the European parliament in June, according to those close to the president. He would also take into account the economic and

The Socialist party distanced itself from the threatening signs coming from Mr Soares. We will not call for a dissolution of parliament even if we win every council in the country," guaranteed Mr Antonio Guterres, the Socialist leader. Instead, the Socialists accused the government of deliberately

"Aware that they face an overriding defeat, the Social Democrats are trying to convince the country that the municipal elections could affect the stability of the gov-ernment in the hope that this will play in their favour," said

Mr Guterres.
Opinion polls were unanimons in forecasting that the Socialists would extend the majority of the country'e 305 municipal councils that they already held after e backlash vote against the Social Democrat government in the previons elections in 1989.

Social Democrat campaign managers say the party should improve its position in the Alentejo plains of sonthern Portngal, a traditional Communist stronghold, and in the sonth coast Algarve region,

until now solidly Socialist.

But the Socialist and Communist alliance ruling Lisbon is expected to renew its mandate and Socialist domination of Portngal's second city Oporto is unlikely to be

Social Democrat officials also admit privately that the Socialists and Communists are tikely to win most other large

Mr Larry Summers, US dep-

uty treasury secretary, yester day challenged this vie have not achieved what the US financial services industry was hoping to achieve in 1986," he said shortly after arriving in services offer completely if other countries did not come forward with hetter market-

'We think that everyone'e legitimate interests are protected by the two-tier most favoured nation option we have made serious commitmente to national treatment will get a full set of commitments from the US."

He complained that many countries were still refusing to

#### Praise for Hungary's farmers

Hungary'e farmers are among the best placed to benefit from a liberalisation in world trade following a successful conclusion of the Gatt Round, according to a report by the Organisation for Economic Co-operation and Development.

The study finds that the level of agricultural subsidy in Hungary is lower than in any of the 24 developed states bar

Hungary has a "producer subsidy equivalent" of just 8 per cent compared with an OBCD average of 44 per cent, according to 1992 figures.

Budapest's Agriculture Min-istry said that the low level of support put Hungarian farming in a strong position in the event of a Gatt breakthrough. While most countries would have to cut subsidies, Hungary would be allowed to maintain the current level of support

therefore improve, the ministry said. Antall obituary, Page 6

and competitiveness would

#### FIDELITY GLOBAL INDUSTRIES FUND Société d'Investissement à Capital Variable (Sicav) Kansallis House, 3rd Floor Place de l'Étoile, BP 2174, L-1021 Luxembourg

NOTICE OF ADJOURNED CENERAL MEETING

NOTICE is hereby given that the General Meeting of the Share-holders convened for November 25 at 11.00 am at the registered office of the Company has been postponed by the Board at the request of a shareholder representing more than 1/5 of the outstanding shares of the Company as at that date.

The Adjourned Meeting will be held at the registered office of the fund at 11.00 am on December 28, 1993, specifically, but without limitation, for the following purposes:

1. Presentation of the Report of the Board of Directors

Presentation of the Report of the Board of Directors.
 Presentation of the Report of the Auditor.
 Approval of the balance sheet and income statement for the liscal year ended July 31, 1993.
 Discharge of the Board of Directors and the Auditor.
 Election of six (6) Directors, specifically the re-election of Messrs. Edward C. Johnson 3rd, Barry R. J. Bateman, Charles T. M. Collis, Sir Charles A. Fraser, Jean Hamilius and Helmert Frans van den Hoven, being all of the present Directors.
 Election of the Auditor, specifically the election of Coopers & Lybrand, Luxembourg.

5. Election of the Auditor, specifically the election of Coopers & Lybrand, Luxembourg.

5. Proposal, recommended by the Board of Directors, to amend. Article 15 of the Fund's Articles of Incorporation in its entirety, principally in order to delete the specific limitations in the nature of investments safeguards and to detect the description of certain of the powers of the Board of Directors set forth therein and to substitute more general language in order to provide greater discretion to the Board in determining the Fund's Investment Safeguards and permissible investments, and to describe more generally the Board's authority to manage the Fund's business, subject to the requirement of Luxembourg law and regulation. Copies of Article 15 as proposed to be amended may be obtained from the Fund at its registered office in Luxembourg and have been mailed to all tegistered shareholders with the Notice of the Meeting convened for November 25, 1993.

8. Consideration of such other business as may properly come

ation of such other business as may properly come

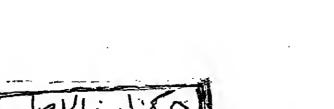
Approval of items I through 6 of the agenda will require the affirmative vote of a majority of the shares present or represented at the meeting with no minimum number of shares present or repre-sented in order to form a quorum to be present. Approval of item 7 of the agenda will require the affirmative vote

Approval of the 17 of the shares present or represented at the meeting at which a majority of the outstanding shares must be present or represented; if a quorum is not present, then at an adjourned session of the meeting, approval of item 7 shall require the affirmative vote of two-thirds (2/3) of the shares present or represented at the meeting with no minimum number of shares present or represented in order for a quorum to be present.

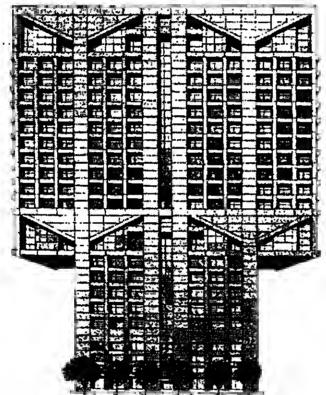
bject to the limitations imposed by the Articles of Incorporation tute in the aggregate more than three per cent (5%) of the outstanding shares, each share is entitled to one vote. A shareholder may act at any meeting by proxy.

Date: November 25, 1993 BY ORDER OF THE BOARD OF DIRECTORS

Investments



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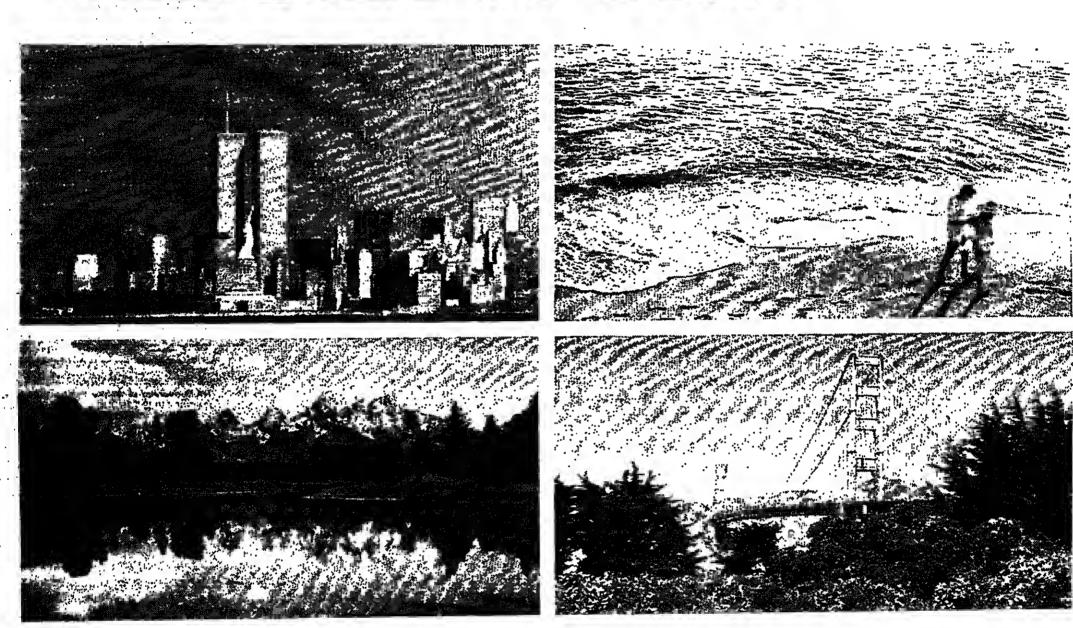


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# Landslide for Frei in Chilean election

By Stephen Fidler and David Pilling in Santiago

Mr Eduardo Frei of the governing Concertación coalition swept to victory in Chile's weekend presidential elections, winning the largest popular backing of any Chilean head of

state in 60 years.

Mr Frei, whose father was president from 1964 to 1969, won 58 per cent of the vote, against around 24 per cent for his main rival, Mr Arturo Alessandri of the centre-right. By securing more than half the vote, he avoided a run-off in February, and will take office on March 11.

His victory was built on the popularity of the four-year gov-ernment of President Patricio Aylwin, which is credited with engineering a largely successful transition to democracy from the 17-year dictatorship of General Augusto Pinochet. Mr Aylwin is set to leave office as Chile's most popular president ever, according to Mrs Marta Lagos, director of polling organisation Cerc.

For the first time in more than half a century, the election did not result in a shift of power to the opposition. Nevertheless, it underlined Chile's long-standing voting patterns, which divide the electorate into roughly equal blocks of left, centre and right.

Parliamentary elections, also held on Saturday, left the sbape of Congress little altered. This will make it difficult to achieve changes sought by Mr Frei to the 1980 constitution, which require a twothirds majority in both houses. The constitution, drawn up under the military, packs the Senate with appointees of the



Frei: father's footsteps

allow the president to appoint or remove the head of the armed forces - Gen Pinochet.

Mr Frei is not expected to veer much from the economic policies that have helped Chile become Latin America's fastest growing economy. Growth this year is expected to be 6.2 per cent after 10.3 per cent in 1992. During the Aylwin adminis-

tration, some 10 per cent of the population has risen out of poverty. Unemployment has fallen nationally to 4.5 per cent and real wages bave risen by 3.5 per cent annually, largely in line with productivity growth. Meanwhile, Chile has the highest investment and in the highest investment rate in Latin America, estimated at 27.5 per cent of gross domestic product this year.

in an interview just before the election, Mr Frei said; "It's clear the four-year transition is over and Chile has recovered its democratic tradition." The main challenges that

cerned human rights, the con-solidation of democracy and the reconciliation of develop-ment with social justice, he said. "These tasks have been achieved and we therefore have other priorities, such as the fight against poverty and improving education."

Mr Ricardo Lagos, a socialist leader within the Concertación

and likely cabinet minister, said social issues would become the highest priority "not because Aylwin did hadly, but because he's done well". Mr Alejandro Foxley, the outgoing finance minister, agreed that the new adminis-

tration would have to reorder its priorities. "We have institutional problems, that could become serious, in the way that health and education services are provided. "We are not happy with the way the system is working either on the public or the pri-vate side," he said. The private health system needed better

regulation to stop insurers

from withdrawing coverage

from high-risk patients. The public system was overcentral-

ised, prone to industrial con-flict and still suffered from years of inadequate funding by the military regime. Mr Frei foresees radical reforms in these areas, particularly in education. "If we are really serious about leaving the ranks of underdeveloped nations, we will have to introduce profound changes in the educational system and in

work training," he said. However, Mr Juan Villarzú, Mr Frei's main economic adviser and his expected finance minister, made clear that the Frei administration



would not allow social concerns to loosen the grip of fis-cal restraint. On the contrary, if the international downturn continued to weaken the prices of Chile's principal primary exports, the 1994 budget might have to be cut, he said.

But in the medium term, about what democratic govern-

he saw "few restraints" to growth rates of around 7 per cent inflation is expected to fall to 12 per cent this year.

This success has been accompanied, according to recent opinion polls, by a scalingdown of popular expectations ment can achieve. If this is

good news for Mr Frei, there are some questions about the six-year term he is expected to serve. "One good thing about short presidential periods is when people start to become dissatisfied you have a change of government," said Mr Foxley. "A six-year term may be

#### NEWS IN BRIEF

## Andorrans vote for first time

Andorrans voted yesterday in the tiny Pyrenean principality's first constitutional election, ending semi-fendal traditions that date back seven centuries, Reuter reports from Andorra La Valla. Five political groups were competing for 28 seats in the Consell General de les Valls, the Andorran parliament. About 9,700 Andorrans, representing only 15 per cent of the population, are eligible to vote. Most of the residents in the land-locked meantain states are unfranchised foreigners.

Population growth warning

Half the world's population will be living in cities by the end of this decade, leading to critical shortages of clean water, housing and health care, according to Population Concern, the UK-based family planning charity, writes Bronwen Maddox.

The world's population is growing by 96m people a year, with more than 35 people as the content of the co more than 80 per cent of the growth in towns, it says. The UN has forecast that the world's population could double to more than 10 n people by the middle of the next century.

#### Boost for fusion reactor.

The successful generation of fusion power at the Princeton Plasma Physics Laboratory in the US is a hoost for plans to spend an estimated £10bn on an international nuclear fusion spend an estimated £10bn on an international number reactor in the late 1990s, writes Clive Cookson, Science Editor.

The proposed International Thermonuclear Experimental Reactor would show whether a controlled version of the process which fires the sun could deliver safe energy on earth. If the optimists are right, fusion will become the cheapest and cleanest source of heat and power in the middle of the next century.

#### Global warming fund failure

Negotiators failed last week to agree to create a permanent. funding mechanism for the conventions on global warming and biodiversity signed last year in Rio de Janeiro, writes Lisa

Disputes about how the organisation would approve master plans and specific projects are the key remaining issues blocking restructuring of the pilot Global Environment Facility, set to disband in the middle of next year, according to the World Bank.

50 missing in building collapse Hopes are fading of finding any more survivors in the rubble of an apartment block which collapsed in Kuala Lumpur at the weekend, writes Kiaran Cooke in Kuala Lumpur. Police believe

US to cut Somalia troops

more than 50 people are still missing.

Secretary of Defence Les Aspin said yesterday the US would withdraw about 2,500 of its 8,200 troops in Somalia by Christmas, Reuter reports from Washington. Between a quarter and a third of them would be out of Somalia by December 25, Mr Aspin said on NBC-TV's Meet the Press.

#### Malaysia, Australia kiss and make up End near for US pit strike Kieran Cooke and Nikki Tait see the heat taken out of a diplomatic confrontation

again. Last month Mr Paul Keating, Australia's blunt speaking prime minister, trod on Malaysia's toes by describing Dr Mahathir Mohamad, his Malaysian counterpart, as a "recalcitrant" for

in Seattle. Malaysla responded by imposing restrictions on contacts with Australia and there was talk of downgrading dip-

But after Mr Keating wrote a personal letter to Dr Mahathir and twice publicly expressed regret for his remark Malaysia has now agreed to be friends. The government does not wish to prolong this issue and will take no further action," said a statement after a weekend meeting of the Malaysian cabinet. Australia, clearly relieved the row has ended, says it wants further to

ike two rather awkward dancing partners, Malaysia and Australia done to business confidence in what are doing the diplomatic waltz has always been a tragile relationship.

Last month Mr Paul Keating,

Australia is turning more towards the Asian basket, citing the political instafast-growing economies of southeast Asia, and Malaysia has become one of Australia's top dozen trading partners in 1992-3 Australia exported goods imported some A\$970m worth.

But during the recent debacle Australian companies had begun to report the cancellation of export orders: last week, for example, Voxson of Brisbane, which makes and exports mobile phones, saw one of its Malaysian dealers halt an impending order for cellular equipment. Meanwhile, the Malaysian authorities moved quickly to ban Australian commercials and TV programmes, including a film on the well-known Australian, Crocodile Dundee.

Business people on both sides now wonder bow long it will take to normalbilities they feel prevail in the region. One test case could be a multi-billion-

dollar bid by Transfield, the large privately-owned Sydney engineering Malaysian navy.

s peace overtures gathered pace last week, officials seemed to feel the company was at least in the running for the order. Hopes rose further after Dr Mahathir visited the Australian stand at a local defence exhibition.

But for Malaysia, there are questions about how the row might affect Australian investment in the country. Malaysian statistics show Anstralia's invest-ments there trebled last year to more than \$830m (£557m), making it one of the leading investors in the country.

And at a time when Malaysia is see ing a sharp drop in the growth of foreign investment - with foreign capital going to other emerging economies such as China and Vietnam - a fall-off

in Australian investment could hurt. "The Australians have been clumsy," Malaysia is gaining a reputation as a difficult country to deal with - at least on the political level. Damage has been done on both sides."

Dr Mahathir, though, seems to relish

the role of spokesman of the smaller nations, attacking the west, particularly the US, on a range of issues including human rights and the environment. "Sometimes you have to be a bit notorious to be a bit famous," he said recently. "In order to be known, you

have to be nasty. I'm sometimes nasty toward governments, not business peo-

#### rules, including the right to schedule seven day weeks and The strike settlement how

in some cases 10-hour days.

The settlement will certainly

be taken positively by inves-tors," said Mr Villagran, "and it should make the UMWA a

Members of the United Mine Workers of America look set to ratify an agreement this week to and the seven-month US coal strike. The nation's higgest coal companies and union leadership agreed on a new five-year contract in Washington last week.

sions, although the prolonged strike was costly for all parties, and particularly for the midwestern coal industry, which is in a long decline, industry ana-

lysts say. The union appears to have achieved some guarantees that union miners will be hired when coal companies or their subsidiaries open new mines, said Mr Rafael Villagran, a Lehman Brothers analyst. He said the companies

gained more flexible work

little stronger. Their representation in the industry has been. dropping, and they needed to stop that. This could help.".
Less than half of the coal the US is mined by union workers. UMWA membership has declined from a peak of 400,000 in the 1950s to about 65,000 today. The union risked the strike to gain job security for its members and, to some extent, a future for itself. Its

strategy, a selective strike which targeted companies with the toughest bargaining positions, split three coal producers from the employers' bar-gaining group, the Bituminous Coal Operators Association.

straints, switched contracts to

low-cost, low-sulphur nonunion coal mined in Wyoming and other areas of the west. "Will the terms of the agreement protect miners in the face of these changes?" said Mr Mead. "We don't know." The strike had a severe

ever, does not change a funda-mental shift away from the

high sulphur coal mined in the

Illinois basin, where the union

is most active. Mr John Mead,

director of the Coal Research

Centre at Southern Illinois

University, said more midwes-tern mining jobs were bound to

he lost as utilities, under pres-

impact on 1993 profits of Peabody Coal, a subsidiary of Hanson. It also affected Consol, coowned by DuPont and Rhein-braun, Ashland Coal and privately-beld Zeigler Coal.

Mr Antall's death is a loss

for the Forum because, though

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Mr Jozsef Antall, Hungary's conservative prime minister and eastern Europe's longestserving leader, died yesterday afternoon at the age of 61, after heart trouble compounded his cancer condition. Nicholes Denton writes from Budapest. His death, after 31/2 years in office, follows a long battle egainst non-Hodgkin's lymphoma, a form of cancer with

# Hungary's PM Jozsef Antall dies

diagnosed in 1990, the year he and his centre-right coalition were elected

The demise of Mr Antall, leader of the governing Hungarian Democratic Forum, threatens political turbulence, coming soon before elections

Friday's France Soir. "I've found

t hard to follow the Gatt dossier,

he confessed. "All I know is that

the naughty Americans, not content

with having foisted Disneyland on us, have entrusted the future of our

exports to someone called Mickey."

Just how sharp is the much-vaunted

long-sightedness of Germany's top

managers? The question was esked

last Monday in the Frankfurter

Aligemeine Zeitung's comment

on the severe liquidity problems

En passant, it raised the same

poser about Daimler Benz,

Germany's biggest industrial

concern, whose AEG subsidiary

was within days to announce plans

for a redical structural shakeout and

the sale of its flag-bearing domestic

abpliances business to Hectrokix.

Both groups, the FAZ suggested

were peacocks that had farmed their

tails too wide: in the case of MG,

by attempting to change the old

mining and metals company into

an environmental technology group

through high-risk acquisitions and

po-faced stock market daily, also

Borsen-Zeitung, the traditionally

GERMANY

pencilled in for next May, Taking over as interim prime minister is Mr Peter Boross, his hospital treatment.

the interior minister, who deputised for Mr Antall during But the succession is by no means certain and other candidates like defence minister

INTERNATIONAL PRESS REVIEW

Lajos Fur may emerge. The struggle is set to shift the centre of political gravity within the Forum to the right as contenders seek the support of party activists. A potential kingmaker is Mr Sandor Lezsak, who runs the day-to-day affairs of the Forum.

his popularity ratings were low, he was widely respected, even by his opponents, and seen as an electoral asset. The change in leadership will raise concerns about the country's reputation as an island of stability in an unsettled region, an achievement tied to Mr Antall's personality.

condemned the French povernment's conduct of the negotiations as "high treason" in

DNA, the Aleace paper. Arryone who has ever suspected that the Balladur government is been "boxed into a corner". making a fuss about nothing in the Enough was enough for the Gatt regotiations might have nationals by the end of the week. changed their mind had they "Gatted Out!" shrieked the headline witnessed the tone of last week's of Philippe Bouvard's column in

The week began with the nnouncement that the EC and the US had finally reached an agree on agriculture, a breekthrough welcomed by the national newspapers. The response in the

FRANCE

French regional press.

provinces was very different. "The Gatt negotiations are totally reactionary," thundered Mr Christophe Pron, head of one of the Aube ferming unions, in Tuesday's L'Est Eclair, "This isn't free trade: it's dictatorship." L'Alsace described the mood of local farmers as "anxious" and legred that the US concessions were "totally inadequate".

The following day, La Dépêche du Midi assembled a panel of agricultural leaders to air their views The bluntest was Mr Raymond Lacombe, former head of FNSEA. the national farmers' union. "The Americans have one aim - to smash the common agricultural policy," he furned. "The Europeans are making a major political mistake. The world will starve if food becomes a political weapon for the

Tempers were still heated on Thursday, Presse-Océan described the farmers as "between deception and anger". The small farmers' union

resorted to the peacock analogy in its analysis of the New York oil futures farrago which generated MG's crisis. It proposed that the

> to over-stretch its capabilities Details of action at AEG, the care-worn electrical and electronics business, rescued from the brink In the 1980s and then tucked under the Daimler-Berz wing, had been well-leaked in advance. But Handelablatt, the financial

local subsidiary had been allowed

daily, was in no mood to be generous. "The AEG story is a story of erosion and fallings. . . Damage imitation is dominant. Long-term structural and behavioural concepts have yet to come," it charged. Another article in the same paper.

less judgmental but more glum. concluded: "The dream of an ndependent, globally-active ectro-group appears to have faded. The contraction will continue."

#### SOUTH AFRICA

South African newspaper readers have had a rough time over the pest few months: headline writers have served up a tedious diet of afternating breakthrough and breakdown as constitutional talks lurched toward their conclusion: editors and political columnists suffered rapid mood swings from triumph to gloom and back again.

The process reached its climex last week when blacks took their seats on the Transitional Executive Council, ending 350 years of white domination. Yet this story of black triumph over apartheid was relegated to page two in the

Sovietan, the leading black delty. The Citizen, the popular Johannesburg delly that also has a large black reedership, followed suit, concerning itself on its front page with whether the Prince of

Wates would ever be iding. Ironically, the Afrikanna delly Beeld greated the great day with page-one burst of lyricism: "The door of the new South Africa has been opened and hope shines brough in brilliant beams", it said.

The Johannesburg Saturday Star also noted the "damp squib" effect of the TEC, and set out to find out why. "People don't seem to know exactly what's going on," said Ms Joyce Dube, a journelist quoted by the paper. "Perhaps we have not made it clear," she said, indicting the role of her own profession in falling to put the minutiae of negotiztions in proper

But "Big B", a patron of a Soweto shabeen (bar), had the last word: Power? What power?", the Saturday Star quoted him as asking. You must be joking. Just because you have your hands on the steering wheel does not mean you're driving to the bank."

#### UNITED STATES

US news organisations maintain an apparently insatiable news interest in outer space, but there comes a time when one specewalk starts to look rather like another. That time came last week for US newapapara, as the space shuttle. mission to repair the National Aeronautics and Space

Administration's defective Hubble satellite telescope rolled amouthly towards its conclusion.

Journalists' metaphore awang. stronomically between eye surgery and garage repairs - even Ness officials couldn't make up their: minds which they preferred. But wless" won the day as the adjective for everyone. in truth though, watching routine

space shuttle launches is almost s tascinating as train spotting, and the lack of drama soon saw Hubble The New York Times, Los Angeles Times and Washington Post all carried from page stories

with photographs and graphics on: Monday. By Tuesday, only the pictures remained, with the words shifted to the inside pages. The dirty secret, of course, is that news organisations devote reporters

-and cemera crews to the space . shuttle just in case one blows up agen, as Challenger did in 1986. Since reporters must justify their expenses, they write stories; but when nothing goes on, it is hard to keep them on the front page.

By Thursday the New York Times was devoting its front-page attention to the lone gumman who on Tuesday evening had lated five people on a Long Island commuter train, and the Washington Post was warring its readers to boil their diplong

Contributions from Alice Residen In Paris, Christopher Paries in Franktist, Patti Viakimak ar. Johannesbury and George Graham in Washington



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# China warns Patten of HK turmoil

By Simon Holberton in Hong Kong

The second secon

The war of words hetween China and Britain over Hong Kong escalated at the weekend, with a senior Chinese official suggesting for the first time that Governor Chris Patten's democracy plans for the colony could provide a pretext for an early Chinese takeover there.

Mr Qian Qichen, China's for-eign minister, described Mr Patten's plans for greater democracy as a kind of man-made turmoil. The first stage of Mr Patten's democracy legislation will be tabled in the Legislative Council (LegCo) on Wednesday – an event which China has said would end bilateral talks about Hong Kong's

political development.
Use of the word "turmoil" is particularly significant. In 1982 Mr Deng Xiaoping, China's paramount leader, told then British prime minister Mrs Margaret Thatcher that China would take control of Hong Kong before 1997 if turmoil erupted in the colony.

Mr Patten yesterday said there was "no turmoil or chaos in Hong Kong". Chinese officials could put their "hearts and minds at rest on that par-

ticular issue", he added. The governor was supported by Mr Ronald Arculli, deputy leader of LegCo's Liberal (conservative) party. "Hong Kong is not in turmoil now, and I can't conceive of any situation where Hong Kong would be in turmoil," he said.



Mr Qian was speaking at a meeting of Beijing's "preliminary working committee" (PWC) - a group of mainland officials and Hong Kong plutocrats charged with advising China on its takeover of Hong Kong. At the meeting the foreign minister said China hoped to control "disorder" in the col ony through agreement with the British. "But if co-opera-tion breaks down, we cannot sit back and watch disorder in

It is clear, bowever, from the PWC's deliberations that China is planning for a breakdown in bilateral co-operation. The group has been charged with drawing up arrangements, hy July next year, for fresh elec-tions after 1997.

## Israeli withdrawal from Gaza-Jericho is fraught with danger, writes Julian Ozanne

# Mideast extremists lurking in the wings

controlled the Gaza Strip and West Bank area of Jericho captured during the 1967 Six

Day War. However, failure of negotiations in Cairo yesterday hetween Mr Yitzhak Rabin, Israeli prime minister, and Mr Yassir Arafat, PLO leader, has meant an event that would have marked an historic, and probably irreversible, step towards Palestinian national self-determination has been

postponed. Once on course again, the process will still be fraught with danger. Public support for the Israeli-Palestinian peace deal is at Its lowest point since the accord was signed in Sep-tember. Violence, mistrust and suspicion between the two sides have replaced the initial enthusiasm.

The Palestine Liberation Organisation and the Israeli government will have to move fast to ensure that extremists opposed to peace do not exploit the lingering vacuum. For the Palestinians that means an explicit demonstration by Israel that it is really handing over substantial power to a Palestinian authority and easing its military grip.

srael was due today to begin dismantling the military apparatus which, for the Israelis it largely means the PLO assuming the responsibility of office and more than two decades, has using its embryonic police force to rein in attacks by Palestinians against Jews and generally maintain security. which will remain the touchstone of Israeli concern.

The tasks will not be easy hut both Mr Rabin and Mr Arafat are hadly in need of a

The most urgent need is to iron ont the last remaining points of disagreement on a protocol which lavs the frame work for a phased four-month Israeli troop pullout from Gaza-Jericho and the transfer of power from the Israeli military-run civil administration to Palestinian hands.

Although Israel was scheduled to begin the symbolic withdrawal today - probably by dismantling harricades. redeploying troops away from some Palestinian population areas and releasing up to 1,500 Israeli-held Palestinian prisoners - the real withdrawal could not have gone ahead before the protocol was in place,

Three substantive issues remain to be solved: the size of the Jericho area, the role and number of Israeli troops who will stay behind to safeguard Jewish settlers, and control over border crossings between



Egyptian Prime Minister Atel Sedki (left) greets PLO leader Yassir Arafat, in Cairo yesterday for a Mideast peace summit

Caza and Egypt and Jericho and Jordan But once the protocol is signed there are tough times ahead during the four months leading to the April 13 deadline for the Israeli military's with-

drawal. Detailed plans are in place for the transfer of power from Israeli to Palestinian hands ~ that part of the peace talks went relatively smoothly. How-

ever. implementation will be more difficult. Two critical issues hang over the PLO. The first is whether

sources for the 21st century. What does this prove?

administration of the economically decimated, faction-riven Gaza Strip - home to 900,000 Palestinians. The top leadership of the PLO is deeply split, with mounting criticism about the authoritarian leadership of Mr Arafat and his preference for political appointees of his own generation, rather than professionals, to staff the key administrative bodies. Several officials have resigned recently charging Mr Arafat with an inability to respond to the challenge of governing or reform-ing the hureaucratic and centralised decision-making

Secondly, there are deep doubts about Mr Arafat's willingness or ability to move against Palestinian extremists both inside and outside the PLO bent on wrecking the peace accord and continuing the armed struggle against Israel. Will Mr Arafat, for example, dispatch his police force to confiscate weapons from Islamic guerrillas intent

on launching attacks across the Gaza border into Israel? Even if Mr Arafat wishes to do so he may be constrained hy the domestic political situation and the prospect of elections next July (although to many Palestinians that date seems

lenge of the next four months is equally formidable. Once the protocol is signed and Israeli withdrawal is in full flow Mr Rabin will have to rely on the safeguards enshrined in the peace accord and on the goodwill of the Palestinians. How long will the prime minister, already under intense domestic pressure, he able to hold out if Palestinian attacks do not sub-

And can Mr Rabin, hanging on to power with a wafer thin parliamentary majority and an almost permanent coalition crisis, risk a showdown with increasingly militant Jewisb settlers who appear to be winning increasing public sympa-

ithout more concrete peace dividends like better security, an end to the Arab boycott, or peace with Jordan the govern-ment will face an uphill battle to sell its peace policy to a sceptical public.

For both Mr Rabin and Mr Arafat the real challenge ahead is managing their own constituencies. Both men will need each other's patience, goodwill and courage to make the process succeed and defeat extremists waiting in the

# Zimbabwe likely to win extra aid

By Tony Hawkins in Harare

Donors attending a Zimbabwe aid meeting in Paris today are expected to respond sympa-thetically to the government's call for extra funds in 1994 to support its economic reform

Zimbahwe will ask donors at the meeting, to be chaired by the World Bank, for an extra \$226m (£151.6m) to close its 1994 funding gap. This implies some \$808m in new pledges. assuming that project aid is disbursed over five years and balance of payments assistance

over 18 months. The programme, blown offcourse hy the drought in 1992. bas progressed rapidly since April when steps were taken to liberalise investment and 1991 output and export levels.

Inflation, which peaked at almost 50 per cent in August, 1992 has halved to 24 per cent on a year-on-year hasis and will average 28 per cent for 1993, against 42 per cent last year. Output has started to grow again, after a 7.7 per cent fall in real GDP in 1992, but there will be only marginal

expansion this year. Donors are expected to question the World Bank's forecasting record, which as recently growth, but now estimates mere 1 per cent.

The bank's forecast, in a paper prepared for the Paris meeting, of export growth (in US dollar terms) of more than 10 per cent annually for the next three years may be treated cautiously. Not only is this faster than growth rates forecast for world trade (5.8 per cent a year), but it is in sharp contrast to Zimbabwe's performance over the past five years, when exports have fallen almost 10 per ceut.

#### exchange controls covering individuals. This season's rains have started well and GDP growth of at least 4 per cent is ossible in 1995, though it will take until 1995 to return to

#### CORRECTION

#### **Shaul Eisenberg**

An article published in the Financial Times on December 8 incorrectly stated that Mr Shaul Eisenberg of the Eisenberg group of companies had recently hosted a visit to Israel hy the governor of Jiangsn province, China. Mr Eisenberg actually hosted the governor of Jiangxi province.

points out that his United Development Incorporated has sibility of co-operating with Burger King to open a chain of restaurants in China but has not won the franchise as we

Detailed negotiations have not yet begun, Mr Eisenberg

# The need for an energy framework.

the former liberation move-The UK needs to have secure and lasting energy

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# **Presidential** power in voters' hands

interests of the regions and the

prised of the fledgling political

lower, or State Duma, com-

parties and the members

elected on a first-past-the-post

system from the constituen-

cies. Both have the right to ini-

tiate legislation, and they have

a particular responsibility for

laws on the budget, federal

taxes and financial, monetary

and credit policy. However

laws on financial matters must

in effect be agreed with the

government, as draft laws in

this area require a correspond

ing resolution of the cabinet

The effect is to strengthen

The judiciary would be

again they face a tough battle

to increase the standing and prestige of a profession tradi-tionally ill-regarded in Soviet

times and only fitfully authori-

tative since. The constitutional

court could, and arguably

should, emerge as a powerful

many unclear clauses, taking

its place beside the US

Supreme Court and the Ger-

man constitutional court as a

check on government and a

But any constitution in a

stand or fall not on the letter

of its clauses, but on the politi-

defender of rights.

By John Lloyd

Under the draft constitution presented to the Russian people yesterday, President Boris Yeltsin could become one of the world's most powerful. democratically elected, presi-

It is seen as an authoritarian constitution by much of the Yeltsln's supporters, it bas been seen as dangerous, in as much as it gives power to one individual in a state with authoritarian traditions and a shallow experience of demo-

before they are debated. The system proposed would have the president at its undisthe government's - and the puted and all but unchallengepresident's - hands vis-à-vis able apex. He would be bead of the parliament; and to ensure state, of the armed forces and that the parliament will be at of the Security Council - this its most influential when it works with the government last a potentially powerful and the president, rather than against them. Its influence will body with oo clear boundaries to its remit. His powers to appoint premiers, judges and also depend on how persuasive ceotral bank chairmen would it can be in presenting policies. and how flexible the president generally be cooditional on and government are in tailor-ing their proposals to the parapproval from one or both chambers of parliament but he has the authority to issue liamentary majority to avoid decrees wholly independent of gridlock. The balance will be a parliament, or any other level sensitive one. of power - save that these granted independence - and decrees must not flout the conthe judges life tenure - but

This might mean that in any unresolvable dispute between the president and the parliament, the president could resort to a decree.

The president can be impeached, though only for treachery and serious crimes, and not on grounds of breacharbiter of a constitution with ing the constitution. Even then, the process would depend on two-thirds of both bouses agreeing within three months of the constitutional court's upholding the decision to

attempt to impeach.

The constitution itself is vircivil society as fragile as Rus-sia's will be under test. None tually untouchable as threequarters of the upper house of could be a guarantor against a revival of its authoritarian, the parliament, representing centralist traditions, it will the regions and republics, and two-thirds of the lower house, must favour the change.

The parliament has two cians' and citizens' willingness chambers: the upper, or Feder- to exercise restraint.



Yeltsin's power play Under the draft constitution: The president is:

Commander-in-chief of the ermed forces

Propose the prime minister (whose appointment requires the consent of perferment)
 Dissolve the State Duma or lower house if it blocks

his choice of prime minister or passes two votes of no-confidence in the government Pass decrees without reference to perfament Call partiamentary elections
 Appoint the central bank chairman and judges (with parliamentary consent)

Call referendums

Introduce martial law and states of emergency

Will be proposed by the prime minister and confirmed by the president. It will comprise the prime minister and an unspecified number of deputy prime ministers and ministers, who need not

The government shall

O Draw up the budget Ensure a uniform monetary, financial and credit policy Implement security, defence and foreign policy
 Ensure the rule of law

Has two chambers which work separately, meeting together only to been addresses by the President, the head of the Constitutional Court or foreign leaders



a two-vear term, two each from the 89 Subjects of the Federation (see below). Thereafter, two representatives of each Subject will be appointed, one by the region's executive administration and other by its legislative council

The Federation Council shall: Approve presidential decrees on mertial law and states of

- emergencies

  Call presidential elections every
- four years

  Approve the appointment of

State Duma (lower house) its 450 deputies will be elected from constituencies, half of them on a first-past-the-post basis

and the other half by proportional representation from the lists of those perties that gain more than

- The State Duma shalt: Approve the prime minister Pass votes of confidence/no ence in the government
- Paes legislation • Impeach the president in cases of serious crime, though not including breaches of the
- Draft laws on taxation, loans and budget expenditure, but only with consent of the governme

The Subjects of the Federation number 89 and comprise autonomous republics, regions, districts and the cities of Moscow and St Petersburg They shall:

- lesue laws and regulatory acts which do not contravene federal laws
- Manage local property and services
- The courts are independent, and their judges are appointed
- The Constitutional Court will resolve cases arising from the constitution state treatles and disputes between the Subjects of the Federation
- The Supreme Court is the highest judicial body on civil, criminal and administrative law
  The Supreme Arbitration Court deals with economic disputes

# Soldiers look for leadership in fulfilling democratic duty

A Stalin-era officers' club is transformed into voting station 1527 for the Taman Guards

By John Lloyd and Edward Mortimer

Amid snow-topped tanks mounted on pedestals, between statues of Lenin and prominent Bolsheviks, beneath Soviet slogans praising their valour, the men, officers, wives and pensioners of the Taman Guards division yesterday voted for a new parliament. It was 10 weeks to the day since some of them were preparing to go to Moscow to shell the old one.

"How are we to vote, sergeant, how are we to vote?" one recruit shouted cheekily to his platoon leader as he and his comrades marched into the Stalin-era officer's club turned into voting station 1527 yes-

terday morning. It seemed to be a joke. But inside the crowded little hall, where queues of ser-vicemen and service families waited for their turn in the two little booths, the window ledges and table edges were grabbed by anxious men and women turning over the multi-layered papers, asking the officers in charge whet to do.

Mr Robert Porogov ("my first name came from your famous socialist Robert Owen") was in no doubt how he had voted. "I'll tell you quite openly," he said loudly in the crowded hall. "I'm a communist and glad to be so, an internationalist, what's more. These elections are a bit of a sham.

well", he said, greeting other, largely elderly, Tovarishchi (comrades) as they

The Taman men, who came to Mr Yeltsin's aid during the August putsch of 1991 and did so again in October, would not speak of their role. Questions to one recruit who seemed willing to talk were politely cut short by an officer. Most of the voters, asked how they had completed their papers, replied with similar courtesy that we should mind our own business. "It's secret now," said one lady with a

Apart from Mr Prorogov and his communist comrades there was an unsteady pensioner who said he had voted "completely democratic" and a widow who had voted for the nationalist Mr Vladimir Zhirin-

The arrival - unannounced - of Mr Quentín Davies, a British Conservativa MP and one of the international observers, caused a flurry. Mr Davies had broken away from his proscribed route to tour military bases in order to check if all was well in an area where control and corrup-tion could flourish in secret.

Maj Kovalov, the president of the voting commission, smart in a civilian suit, anxiously demonstrated the orderly nature of

and the constitution is written just to give the process and said that "we had two hig problems - one, too little time to prepare and two, overcomplex voting papers. No. we had no meetings here, no agitation. No one seemed too interested. Many, many questions - everyone wants to know what to do. Of course we help them, but not onhow to vote, that's entirely their own busi-

Mr Davies, a former diplomat (in Moscow in the 1970s) and a Russian speaker, objected to the fact that several voters were filling out their large voting slips papers in the open, and that the two small boxes into which the slips were being stuffed would not hold the possible volume of paper without being changed. But he said: "It seems a lot of care is being taken to ensure that it's done

Later, at an air base some 20km further on (where MiGs instead of tanks stood on pedestals), Lt-Col Alexei Kubinka, head of the election committee on the base, said that more than half of his electorate had

voted by 1pm.

Col Kubinka'a view was that Mr Zhirinovsky was probably doing well. When peo-ple thought about voting for Mr Yegor Gaidar's Russia's Choice party, he said. they would first ask themselves - what have they done for Russia so far? Not

# Zhirinovsky shows moderate face

By Leyla Boulton in Moscow

Mr Vladimir Zhirinovsky, who has talked of invading neighbouring Turkey and of conducting summary executions to end crime, was yesterday putting himself across as a moderate, and a man of the

Accompanied by his elegant wife to a Moscow polling-station, he did a star turn in four languages - English, German, French and Turkish - for reporters, focusing on the need to fight "la misere" as he put it

But his main credo repeated time and time again during his campaign - is to look after Russians, in Russia and in the former Soviet repub-

As part of that package, he ers yesterday described him oly of the Communist party. has constantly stressed his variously as "the incarnation He first rose to prominen Russianness and attacked all manner of foreigners, despite the fact that he himself was born in the republic of Kazakhstan, and has a foreign-sounding patronymic, Wolfovich. Skirting around the possible embarrassment that this might cause him with his patriotic anti-foreign constituency, he once said, when asked for his

nationality, that his mother was Russian and his father was a lawyer. He has successfully exploited the role of underdog. His autobiography reads like a Russian version of Hitler's Mein Kampf in terms of its self-pitying por-trayal of a lad making his own way in the world despite all

obstacles. Although some vot-

variously as "the incarnation of evil" and "deranged" - all recognise he is extremely articulate. His campaign appearances have been clear, humorous, and extremely easy to

He can also point to being the only party leader in this election who has never been a member of the Communist

After graduating from the Oriental Studies and Law faculties of Moscow University, he worked as a lawyer, most recently as head of the legal service of Mir publishing house until 1990.

In 1990 he founded his Liberal-Democratic party, at a time when other fledgling parties began to challenge the monop-

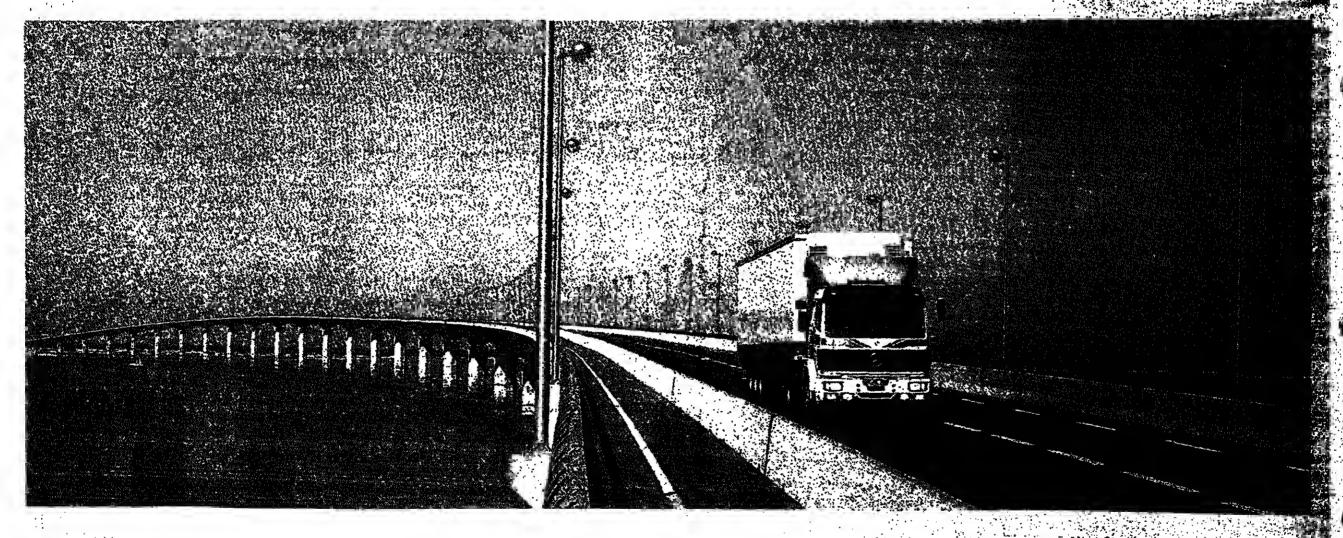
He first rose to prominence in Russia's first presidential election, in June 1991, when he

third among five candidates. While Russla's Choice on Friday confessed it had been wrong not to take Mr Zhirinovsky seriously, some of his opponents in this election continue to suspect him of being a puppet manipulated by other

captured fin votes and came

Mr Yori Boldyrev, a leader of the Yabloko group, said for instance that having been restored to the political limelight by the Kremlin when he was invited to help draft the new constitution, Mr Zhirinovsky would prove a useful enemy" for Mr Yeltsin in the new parliament.

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# Folks back home tire of Yeltsin

By Chrystia Freeland in Butice, Sverdiovsk region

President Boris Yeltsin can have found little comfort from his birthplace during yesterday's watershed in Russia's. political development.

Voters in the isolated village of Butka, 5,000 people nestled in the heart of the Russian. Urals, are deeply distillusioned with their most famous native

'I was a student in Moscow when Yaltsin left the Communist party, and at that time I was so proud to be from his home town," said Mr Oleg Sanochkin, the strapping 32-year old agronomist who works at Butka's state farm. "But now I am bitter about

Yeltsin. I do not like his recent . decisions. He has given the Russian village nothing." Like many in the town, Mr. Sanochkin cast his vote for the conservative Agrarian party, because he believes it is the only force that will speak up for the countryside.

In the sub-zero weather, Butka's log cabins with sky-blue trimmings make a pretty pic-ture against a landscape of frost-encased forests and snow-

ate face

covered fields. But the villag-ers of Butka; who must endure a gruelling four-hour drive over bumpy roads to get to Ekaterinburg, the capital of the region, have no running water in their homes and have seen their purchasing power shrink as the prices of industrial goods have risen.

For these reasons, the villagers say they are looking to a new leader, in the form of Mr Eduard Rossel, who yesterday stood as an independent candidate for the upper house of parliament. The popular former governor of the region, he was ousted by Mr Yaltsin in November.

Our region has found a new hero - Rossel." Mr Sanochkin says. That is bad news for Mr Yeltsin. The main source of contention between the two men is Mr Rossel's campaign for greater regional autonomy for the Urals, a political objective at loggerheads with Mr Yaltsin's draft constitution, also put to a vote yesterday.

But the differences between the two local heroes run deeper. An ethnic German. descended from the Volga Germans, Mr Rossel was left to fend for himself when his mother and grandmother were imprisoned in a Siberian labour camp at the outset of the second world war.

The homeless four-year-old

boy survived by begging, but Mr Rossel says his memories of a-stomach swollen by starvation make him wary of a radical approach to market reforms. Sympathising with these views and full of personal admiration for Mr Rossel, the disgruntled villagers of Butka, and like-minded voters in the region, are likely to elect him to parliament, where he could become a painful thorn In Mr Yeltsin's side.

However, the president can take solace from the attitudes of the urban electorate.

In haavily-industrialised Ekaterinburg, where Mr Yaltsin reigned as the regional communist boss, voters appeared inclined to support the democratic parties in parliament. According to an exit poll conducted by Interfax at one polling station - which may not be representative -Russia's Choice received 35 per cent of the vote, followed by the Yavlinsky group. Even at a polling station in

A Russian army officer walks past election posters in downtown Moscow promoting the Russia's Choice party

neighbourhoods, voters seemed willing to give the democrats a second chance.

"I voted for Russia's choice," said Andrei, a blue-eyed, 26-year-old chauffeur. "They have already begun to break things up. We should let them finish

they will build something new

and better." Decked out in the tracksuit and leather jacket which are the uniform of Russia's nouvean riche, Andrei, who quit his joh at a troubled state factory to work for a thriving prisays his life has become better since Russia began the difficult process of shedding its commu-

Mr Yeltsin will be counting on urban voters like Andrei, who have hegun to henefit from reforms, to drown out the discontented voice of the countryside and the pensioners. But, no matter how the par-

liament shapes up, Mr Yeltsin can take solace from the fact that, if his native Urals were representative of the country as a whole, the crucial referen-

'The only thing Yeltsin's strong hand has done is sack Rossel'

On this issue, paradoxically, the impoverished villages are proving to be a trump card for Mr Yeltsin. While voting in some of the clties was sluggisb, the more conservative rural areas, where the Soviet tradition of enforced voting has been slower to die, appears to be coming to the constitution's

In Butka for example, election day was a high point in the slow provincial life of the village. A concert was beld in the room adjacent to the polling station and, in typical Soviet fashion, foods unavailable on the bare shelves of Butka's only grocery store were on sale at a booth just a few feet from the ballot boxes.

Moreover, displaying the contrary impulses of voters the world over, even though they are not too keen on Mr Yeltsin's policies, the people of Butka like the strong-man constitution be has drafted.

"Yeltsin is right. In these times of troubles, Russia needs a strong hand," says Mr Sanochkin, one of the president's local critics. But, aware of the contradiction in his views, be adds: "Of course, the only thing Mr Yeltsin's strong hand

## Westernmost outpost torn between business and the military Matthew Kaminski in Kaliningrad, where the Germans' return brings mixed feelings

The people of Kaliningrad were yesterday voting to an agenda more polarised than elsewhere in Russia, thanks to the city's unique history and location.

Cut off from the world for 50 years, and now cut off from Russia hy three borders. the former cold war, fort has offered a stark example of the power struggle between a rising business class and a declining military elite.

The residents of Russia's westernmost district, for centuries better known as East Prussia, are sharply split between pro-reform parties advocating an aggressive turn to the west, mainly Germany, and conservative groups hankering for a reconstituted Soviet Union. ....

Around 200,600 military personnel live among the city's population of just 1m. offering a strong constituency of support for Mr Vladimir Zhirmovsky's neo-fascist-Liberal Democratic party.

Power is in the hands of enemies and with them you can only talk through the barrel of a gun," grunts an older military officer strelling down the main Lentn

Prospect, giving voice to the anxieties that have been putting Mr Zhirinovsky's party into third place in local polls. But Kaliningrad has also developed a clear liberal tint in the last two years: Mr

Boris Yeltsin got less than 40 per cent of the presidential vote in 1991 but over 60 per cent, which was higher than the national average, in April's referendum. That shift, according to local politicians, has been caused by the opening of Kaliningrad to German tourists visiting the ancient city which they know as Königs-berg - destroyed first by war and then by

Soviet buildozers - as much as by the

the tourists has brought around Rbs1.2hn (\$923,000) in direct investment.

"Peoples' mind-set has changed faster

than in other regions," claims Mr Nikolai Tulaev, who retired as a navy captain to run in the elections on the Russia's Choice list for the Stata Dumma, or lower house of parliament. A poll by the Kaliningrad Sociological Centre last week showed his party running neck-and-neck with Yabloko, another reformist group, at around 14 per cent of the vote.

The region's liberally-inclined administration hopes the new parliament will get Moscow to loosen the bureaucratic noose while, simultaneously, increasing subsi-

Reform groups see the first step, needed

proximity of the west itself. The arrival of to let Kaliningrad develop its so far disappointing free economic zone, as having already been taken. Custom duties were eliminated this year, although export quotas on amber, oil and fish - the region's staple products - reflect what local officials call cumbersome meddling from the centre in the periphery.

"Give us less money, fewer products, but give us economic rights," says Mr Tulaev. "We'll make the money ourselves."

Such an attitude contrasts sharply with the interest of the city's conservative forces, which seek a strengthening of central control. Focusing on Kaliningrad's significance as Russia's last western war prize, Mr Zhirinovsky's supporters identify their mission as explicitly rejecting any German designs on the city, and, more

symbolically, on maintaining the glory of

Strengthening defence is our number one concern. Kaliningrad must stay a strong Russian bastion in the west," says Mr Defermoev Dovzhenko, the Russian Communist party candidate, who rejects pressure from neighbouring states and reformers to demilitarise. Mr Dovzhenko is even ready for "Nato agitation", he says.

Both sides blame much of the city's economic hardship on the region's appendage status. Disputes over transport rights with its troublesome neighbour, Lithuania, have slowed the trickle of much-needed supplies, such as oil. But stores are full of expensive consumer goods brought from Poland. Drug abuse and organised crime have left the police flustered, with Kaliningrad the area bub for stolen cars.

The younger generation sees salvation to the west: Berlin is closer than Moscow. "Yes, it's better here than in Russia." said Svetlana Lekismnaya, a 19-year-old student, "but I've never been there."

But for the older generation, and especially war veterans who captured Königsberg in 1939, the prospect of increased German involvement plays to their fears: indeed, the Communist party bas been renamed the Patriotic Party in Kalinin-

Mr Dovzhenko, its constituency candidate, blames "the threat of re-Germanisation" on "the fall of the USSR".

Such voices are loud. But Ms Olga Krupina, director of the Immanuel Kant Museum, hopes reason will win out in the German philosopher's former home; "The elections are needed to wipe out the old



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est priorities for next year.

Many of Britain's more pro-

gressiva large blue-chip compa-

worker participation schemes

such as Imperial Chemical

Industries and Unilever will be

urged by the TUC not to wait

for, or try to resist, the EU directive but establish a Euro-

pean-wide works council for all

their employees as soon as pos-

Over the past two years the EU has provided through the European Parliament an esti-

mated £24m to fund meetings

of workers employed hy trans-

nationals in preparation for

to the European Industry Com-

mittees - sectoral union feder-

The largest sums have gone

# EU funds trade union campaign

By Robert Taylor, Labour Correspondent

The European Union has agreed to finance the British Trades Union Congress to help mobilise workers and unions to create works councils inside Britain's largest transnational corporations.

The move to establish consultation and information-gathering bodies for British indus-try is bound to infuriate the British government.

Ministers remain opposed stroogly to the proposed EU works council directive that looks likely to come into force hy the end of next year.

Under the opt-out from the social chapter secured at Maastricht two years ago by the UK workers in Britain will not be covered by the directive. But Britain's large transna-

tionals with more than 100 employees in two or more EU

a works council for their workers outside Britain. The directive will apply not just to the other 11 states of the EU but also Sweden, Austria. Finland and Norway as members as the European Economic Area.

The TUC, the UK's trades union umbrella organisation. believes British companies will have to include their British workers on the works councils because it will be impracticable for them to create such bodies for their foreign employ-

The EU, at the instigation of the European Parliament, has allocated a £190,000 budget for 1994 to the TUC to spend on efforts to win support among the relevant British companies to introduce works councils by

An office is to be established in TUC headquarters in Lon-don manned by a full-time official to carry out the work. The TUC has appointed Mr Nick Clark, an official from the GPMU print union to the post, initially for a year.

A wide range of activities is being planned for 1994 paid for by the EU. These will include: The creation of a computerised database of all Britishbased multinational companies which affiliate unions will be able to use as they lobby for works councils. • The holding of seminars

and meetings of affiliate unions in targeted companies to plan workplace strategies. Britain's unions believe it will be impracticable for Britisb companies to stop their employees in their domestic operations from joining the works councils.

Mr John Monks, the TUC's ations affiliated to the European TUC. general secretary intends to A study published today by make support for British union Industrial Relations Services. involvement in the European

works councils one of his highcovered a wide number of companies in engineering and chemicals as well as textiles and clothing, wood and buildnies with well established ing, transport and the press

and media IRS estimate that last year alone over 9,000 worker representatives met each other to discuss co-operation funded by

· Yesterday Mr Monks called on Mr John Major, the prime minister, to convene a meeting with employer and union representatives to discuss how EU president Jacques Delors' plans to cut European unemploy-ment, agreed in Brussels at the weekend, can be implemented in Britain.

"Mr Delors has put unem-ployment at the top of Europe's agenda where it belongs. We must make sure the UK gets its share of the

## Trades Union Congress to promote works councils for British transnationals | Heath calls for restored links with Iraq to help UK interests

The UK's diplomatic links with Iraq should be restored for political and humanitarian reasons, Sir Edward Heath said yesterday.

The former prime minister oewly returned from Baghdad where his talks with Iraqi pres-ident Saddam Hussein led to the release of three Britons serving long prison sentences on charges of entering the country illegally, said the diplomatic situation was unhelpful to British interests. He told the BBC:

ambassador in Amman and his ambassador, in Amman and his staff do everything they can from outside. It is not the same thing as being their on the spot and being able to use our judgment about what is going on."

He said that the Russian than it is spoing the said that the Russian than it is spoing the said that the Russian than it is spoing that the Russian than it is spoing that the said that the Russian than it is spoing that the said that the Russian than it is spoing that the said that the Russian than it is spoing that the said that the Russian than it is spoing that the said that the Russian than it is spoing that the said that the Russian than it is spoing that the said that the Russian than it is spoing that the same than it is not the same things are spoing that the same than it is not the same things as the same than it is not the same things as the same than it is not the same things as the same than it is not the same things as the same than it is not the same things as the same than it is not the same things as the same things as the same than it is not the same things as the same than it is not that the same than it is not the sa chargé d'affaires was looking aftar British interests and doing a good job: "But why do our activities have to be handled by the Russian charge" be



Former premier Edward Heath

Sir Edward warned that UN sanctions were not affecting the Iraqi president's standing in the country: "This action does not make Saddam's people hostile to him.

"It puts them on his side because they resent very strongly the way they ara

Sir Edward urged that talks should start with Tariq Aziz, iraqi deputy prime minister, to seek a solution. The situation was also alienating other Mid-dle Eastern countries which wanted to resume business

with Iraq: "Iraq is not the only

fizer

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- And Julian (1981)

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ona suffering with these arrangements" he said. He was not calling for an immediate and to sanctions but for greater speed in Iraq's compliance with UN resolutions. Meanwhile, Lady Olga Maitland, Conservative MP, called for international action to free foreign nationals still held in Iraq after the Gulf war. She said there were 625 Kuwaitis and 61 foreign nationals from more than 30 countries in Iraqi jails. "Iraq's continued refusal to release or even acknowledge the whereabouts of these prisoners is ille-gal under international law," she said.

#### **Britain** in brief



#### NZ model urged for bank status

The government will come under pressure this week to cede greater independence to the Bank of England.

The all-part Treasury Select Committee is expected to call for a degree of autonomy that wonld hring the Bank of England more into line with the New Zealand model. Its report, to be published on

Thursday, colncides with a drive by one of its members. Mr Nicholas Bndgen, for greater transpareocy for the Bank of England.

Mr Budgen, a leading Eurorebel, said: "The problem at the moment is that monetary policy can be changed without anyone knowing what is bap-

By calling for the publication of guidelines for monetary policy Mr Budgen argues that the Commons would have nore, not less, control ove the Bank of England.

In New Zealand the government has a contract with the

central bank. The main element is the achievement by the latter of inflation within a specified range, 0 per cent to 2 per cent in the case of New Zealand. The penalty for failing to hit the target can be the dismissal of the governor.

Sir Rohin Butler, the cabinet secretary, is to visit New Zealand next month, when he is ings of the country's Reserve Bank.

Ministers have said they will consider all recommendations hy the Treasury Select Committee and are open to proposals from other quarters on the future of the Bank of England.

#### Mistrust found in construction

Guidelines aimed at reducing contract abuses and litigation in the £45bn a year construc-tion industry will be published today as the first stage in a wide-ranging review of business practices in the sector. The review, jointly financed

by construction employers and the Department of the Environment, is thought to be highly critical of adverserial attitudes between companies and clients which it says have soured commercial relationships and damaged the industry's reputa-

The interim report by Sir Michael Latham, former Conservative MP and a previous director of the Housebuilders' Federation who led the review. is understood to refer to a climate of deep mistrust and a disturbing atmosphere which had led to considerable dissatisfaction in the industry.

#### YT leavers 'quit early'

A quarter of young people leaving the government's youth training scheme become unemployed while only a third are gaining qualifications, according to a report pub-lished by the independent Unemployment Unit and Youthaid. As many as 52 per cent of all young people on the scheme quit early. The highest unemployment levels of YT leavers is in London with 29 per cent

The figures come from the latest YT leavers survey covering the period from April to

#### Unions used to reach workers

The number of large compa nies which use trade unions to communicate with their employees appears to be rising again after a sharp fall in the late 1980s, according to a survey by Vista, an employee

Vista received replies last month from 375 of Britain's largest companies, employing a total of 2.2m staff, and 60 per cent said they used trade

unions to hrief staff. That figure compares with 53 per cent in a 1989 survey based on a hroadly similar sample, which was itself sharply down from 62 per cent in 1985.

Most employee communications experts are highly critical of managers who rely on unions, or noticeboards, to talk

Peter Walker, head of Vista Communications, is one such critic: "This shows the failure of British managers to take full responsibility for briefing their own staff direct."

As many as 95 per ceot of the respondents - mainly chief executives or main board direc tors - said that trade union briefings reached all staff. Mr Walker said this assumption was highly optimistic.

#### Comedians find alternative

The Comedy Store - the London club seen by many as the birthplace of Britain's 'alternative comedy' generation - is to move from its cramped premises in the Soho district of the capital's West End.

The Store, founded in 1979, became famous as the bome of a hrand of British comedy which was anarchic, satirical, and irreverent. It was also "politically correct" - attack ing the racism and sexism in much traditional bumour.

Comedians who first found fame and a wider audience at the Comedy Store include Ber Elton, Alexei Sayle, and French and Saunders.

The new £500,000 club off Piccadilly will seat 400 and opening night comedians will be Julian Clary, Paul Merton, Jo Brand, Jack Dee and Eddie Izzard. But the club's most famous feature, the "open mike" spot where newcomers get five minutes to launch a career, is to be preserved. But the club points out that the success rate, below 2 per cent, is no laughing matter.

#### Smiling 'can cut stress bill'

Smiling can prolong life by reducing stress, leading to fewer accidents and less ill-ness, according to the British Safety Council

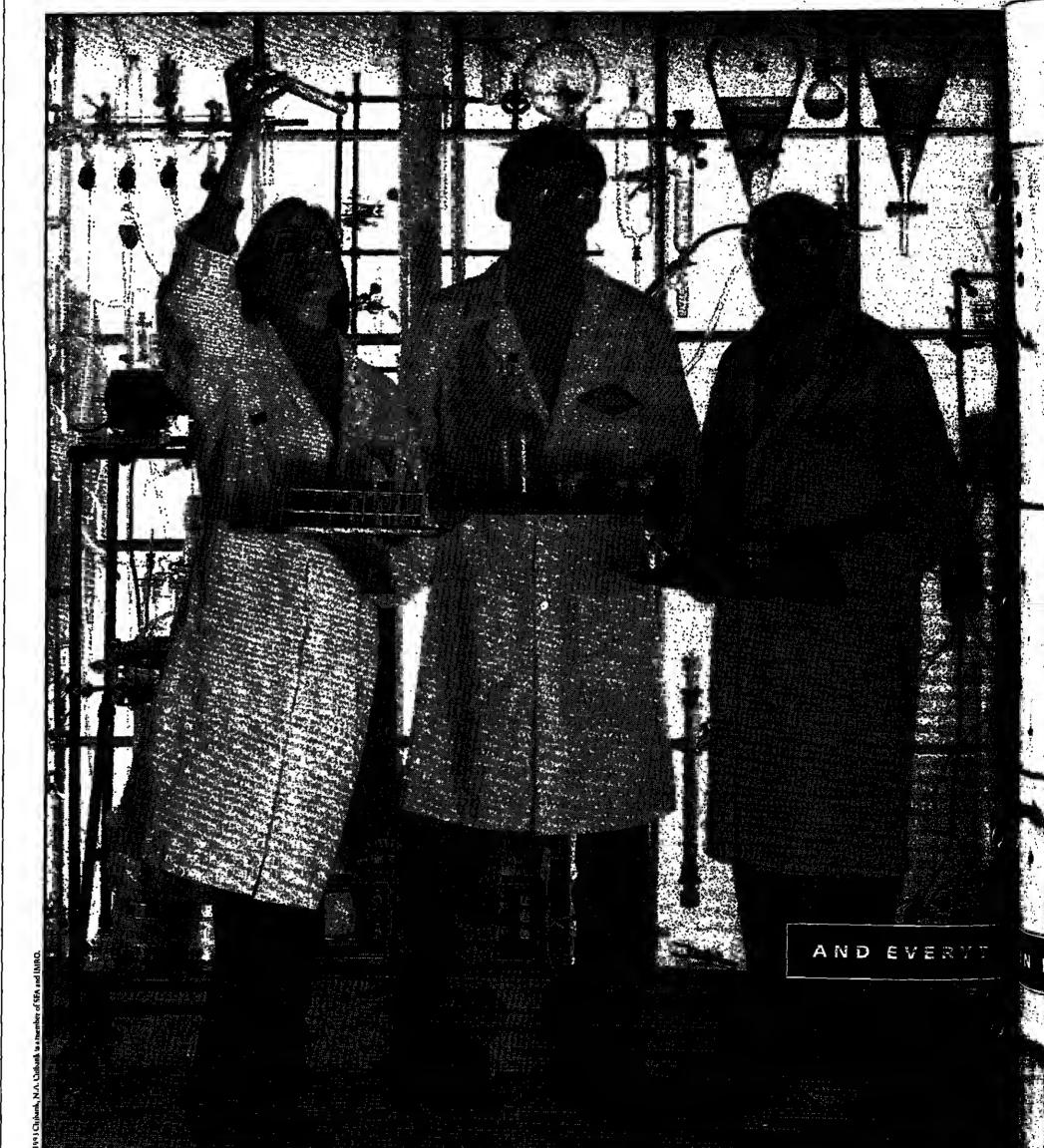
Launching Smile for Safety Week Mr James Tye, the council's director-general, said: "Smiling is the key to wellness and now is the time to start on the road to a bappier, health-

ier, stress-free life." The Smile for Safety Week is part of the council's campaign to counteract the destructive effects of stress. The council says stress-related disorders affect a third of the national workforce, resulting in the loss of 90m working days a year at a cost of £7bn.

#### Hot turkey...

The British remain determined Christmas traditions, according to a survey hy NOP of 500 adults. On Christmas Day, 93 per cent will sit down to turkey, although 2 per cent will be eating the even more traditional goose. Nearly two in three will have spent between £100 and £500 on presents and one in ten will have spent between £500 and £1,000.

# From chemistry to candy bars, more global ci<sup>nies c</sup>



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**NEWS: UK** 

# Pfizer says role of UK as drugs base undermined

The UK is becoming an increasingly unattractive site for drugs groups, according to the largest non-UK based employer of pharmaceuticals scientists in Britain

Pfizer, the US drugs group, says the collapse of the UK science base, increasing government interference in National Health Service drugs spending and growing violence from animal rights activists, are undermining the attractiveness of Britain as a base for pharmaceuticals companies.

The UK's pre-eminence in medicines research is under threat, warned Dr Peter Ringrose, senior vice-president of medicinal R&D at Pfizer Europe. "Six of the world's top 20 selling drugs were discovered in the UK. Britain has the

highest per capita number of Nobel prizes of any country in the world. But there are now rising concerns about the UK as a site for pharmaceuticals research in the future, he

Pfizer's R&D centre at Sandwich. Kent, employs 1.250 research staff and is the largest investment by a US drugs group anywhere in the world. The facilities, which have received \$300m of investment over the last five years, have doubled in size since 1987.

But Dr Ringrose said such investment could be threatened by increasing government controls on UK prices and demand for drugs. These include a 2.5 per cent price cut last month and the introduction earlier this year of lists of products doctors can no longer prescribe on the National

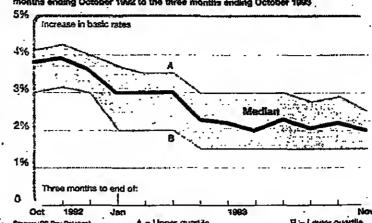
government controls the price of 30 per cent of the drugs available in the UK, he says. In effect the NHS will only allow doctors to prescribe new products whose prices have been cut to the same level as older, cheaper products.

The attractiveness of the UK for drugs research was also being undermined by the atate of the academic infrastructure, he said. The government'a recent policy document on science, engineering and technology, was encouraging, admitted Dr Ringrose, "But so much damage was done to British universities during the 1980s that what is required is more than platitudinous comments from ministers," he said. Increasingly animal rights cern, said Dr Ringrose.

For regulatory reasons medicines have to be tested for toxicity on two species, only one of which can be rodents. Some drugs are poorly tolerated by dogs and so have to be tested on primates. Most cardiovascular research is based on dogs. because their system is similar

"The whole issue of manufacturing is in focus," says Mr Hugh O'Connor, chairman and managing director of Pfizer UK. "Throughout Europe there will have to be rationalisation. What does not make sense is to manufacture on eight sites," he explained. The company presently manufactures in the UK. France, Germany, Belgium, Spain, Portugal and Italy, It recently sold its Greek manufacturing operations.

The tightening pattern of UK pay rises



Median basic pay rises in Britain fell to 2

per cent for the three months to the end of October, according to provisional data from Industrial Relations Services published yesterday, Robert Taylor writes. That rate was the same as for the three months to June, which was the lowest level for at least nine years. Median pay awards across the whole economy have fluctuated within a 2 per cent to 2.3 per cent hand for the seven months since

IRS figures show a noticeable drop in the monthly level of pay rises in the upper quartile of private-sector workers down to 2.5 per cent in October from 3 per

cent in September. By contrast there was a slight increase, from 1.5 per cent to 1.7 per cent, in the

same period in the lower quartile. The provisional data also reveal a wid-ening gap between the level of pay deals in manufacturing compared with those in the private services sector. Basic mannfacturing wage rate rises this year bave been running at least 0.5 per cent higher than those in private services with an average gap for the year of 0.8 per cent.

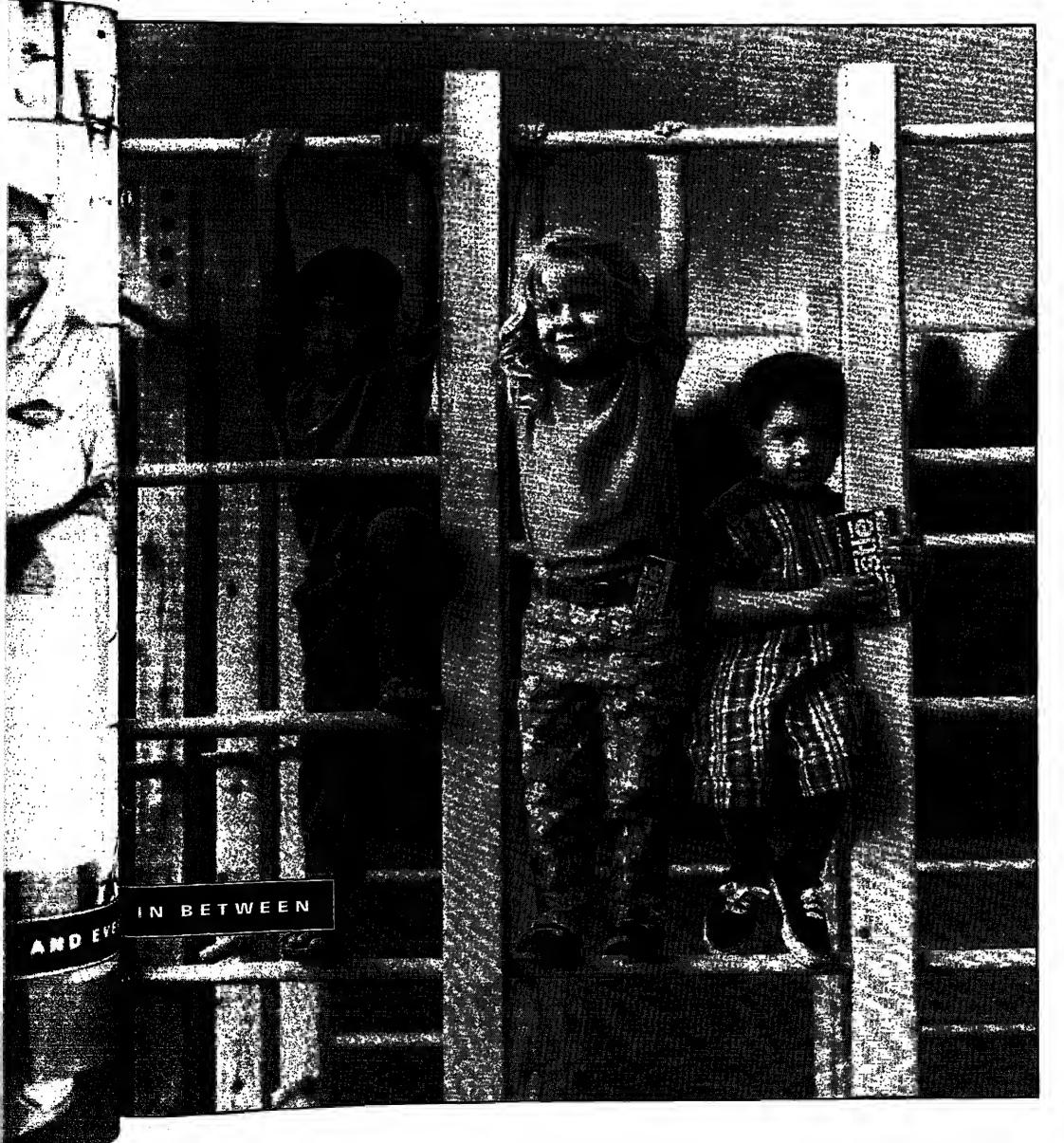
The latest figures contain a higher-thannormal proportion of public-sector pay awards - affected by the government's 1.5 per cent wages policy - and a smaller number of basic pay rises in the private

manufacturing sector. The IRS figures refer to the level of recorded basic settlements and not to the growth in total average earnings. The findings are based on only 38 pay reviews

in October. Industrial Relations Review Vol 5449, IRS, 13-20 Highbury Place London N5 IQP.

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# Skill shortages threaten upturn in W Midlands

By Paul Cheeseright,

Skill shortages have begun to appear in the west Midlands as the regional economy, still heavily dependent on manufacturing, starts a jerky recovery

from recession. Fears that such shortages, a characteristic of the region during the growth years of the 1980s and present until late 1990, could inhihit sustained recovery have been fuelled hy a series of reports and supported by anecdotal evidence, "If we keep on going with a

few percentage points of growth, that can be coped with. If there is an upsurge, the problems will he there," warned Mr Bill Nicholls, the training specialist at the Engineering Employers' Federation West Midlands.

Last year, the consultants Cambridge Econometrics forecast that, of all the UK regions, the west Midlands would he the most likely to be hindered hy skill shortages. By June 1993, the West Midlands Business Survey, conducted by Wolverhampton Business School, was reporting a rise from 8 per cent to 12 per cent over the previous six months in companies facing difficulties in finding the right staff.

The Confederation of British Industry and BSL, consultants, reported during the summer that more employers in the west Midlands and Wales - 13 per cent - than in any other regions expected skill shortages to limit output over the following four months.

Against the background of a long-standing regional shortage of managerial and professional skills, the Department of Employment said last month: There are now more lower and intermediate-level occupations being reported as difficult

But the position differs.

of skill shortages in Birmingham or Wolverhampton. In Solihull, the Jobcentre sometimes finds it difficult to fill specialised positions, for example, some computer software specialists. In Madeley, Tel-ford, the Jobcentre has filled nearly every vacancy - "occa-sionally we have difficulty with specialised engineering

things". There are reports from Sandwell of problems in filling skilled engineering vacancies. Dudley is short especially of technical sales, setters and draughting personnel. Central England Training and Enterprise Council (Centec), based in Redditch, has surveyed 600 companies and found 21 per cent with vacancies which are hard to fill, half of which are professional and managerial and a third are engineering

Information, however, is imprecise. The Department of Employment has reduced in number its classification of occupations so its statistics are more vague, Further, computer glitches have deprived it of information about the length of time vacancies are availa

Employment analysts noted that difficulty in filling a vacancy could reflect low pay, bad conditions, unsocial hours or other factors. They also pointed to a mismatch between the presence of skills and the presence of work.

Slimma, the women's clothing manufacturer, is expanding from its base in Leek to Cannock, Staffs, because of a shortage of machinists. Mr Gary Green, operations manager of Grau, the Redditch anti-lock braking system maker, said he had had vacancies for software engineers for a year. "There are no major universities nearby you can feed off. The nearest is Birmingham and there you go into a pool with companies like Lucas trying to pull people off."

## Massey tractor sales rise 22%

By Paul Cheeseright

UK sales of tractors from Massey Ferguson's plant in Coventry will be 22 per cent higher this year than last, reflecting an overall surge in the purchases of farm machin-

ery.

The group said that by the end of the year it would have sold 2,300 Coventry-made tractors in Britain compared with 1,880 last year. A further 2,000 Massey Ferguson tractors made ln Beauvais, France, would also be sold in the UK.

The company claims to be the largest tractor producer in the UK, but usually 80 per cent of its output is exported. The domestic market leader is thought to be Ford, followed by Massey Ferguson and then Case and Deere. Between them the four supply 80 per cent of the market.

The Agricultural Engineers Association estimated that this year UK farmers will huy 18,000 tractors and that there will be sales of a further 1,100 compact tractors with a power output of less than 40 horsepower. Total sales for 1993 of 19,100 compare with 14,296 in for tractor sales since the second world war.

The UK market has been exceptional in Europe. "Farm-

ers have had money put in their pockets," said Mr Aaron Jones, managing director nf Massey Ferguson

"UK farming has had a good year, but it has been fortuitous. This is derived from the downward movement of sterling against the Ecu," said Mr Chris Evans, chief economist of the Agricultural Engineers Association. This year farmers have on average received about 15 per cent more revenue than they expected, he added.

The availability of cash coincided with latent demand built up because of low equipment purchases in recent years and the opportunity to take 40 per cent capital allowances until last November.

Massey Ferguson noted a start to the domestic huying surge last April. The rise in sales was one factor hehind revisions to its production schedules and the hiring of 160 fixed-contract staff to supplement its normal 1,550-strong workforce.

in early 1993 the Coventry plant expected to build 13,500 tractors this year. Now it expects annual output to be about 17,000 for markets worldwide as, Mr Jones claimed, Massey Ferguson wins a larger market share in Europe and as distributors in Europe and North America build up slocks.

meeting quite like the word "Aeroflot". Of all the hazards dogging western business in Russia, fly ing has long been the most col-

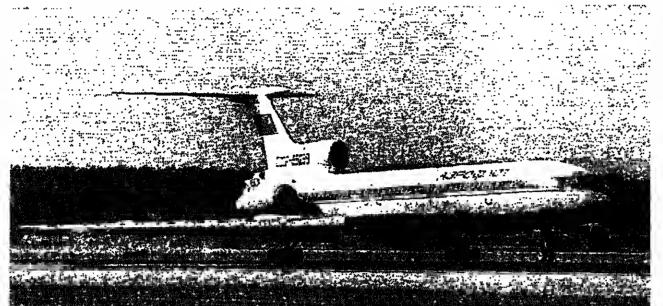
There is the legendary tale of the traveller who set off to fly to Volgograd - and was deposited 3,000m away in Vladivostok instead. There are the every day epics of 12-hour delays, pet goats in the cabin and tarted-up air hostesses. And there is my own dinner party piece of the occasion I argued myself onto a flight to Baku - and found that other passengers were sitting in all the seats, luggage racks and toilets, which meant I had to squeeze in behind the pilot at

Now the good news for the faint-hearted is that alternatives are available.

In the last two years Aero-flot, once the monoply airline of the Soviet Union, has been hrokeo up into 160 regional and republican carriers. Most still operate under the flag of Aeroflot, and sell tickets to foreigners through the ceotral Aeroflot ticket agencies. The Russian transport ministry has recently urged the smallest carriers to re-unite, possibly as holding companies. However, the service of the different carriers varies significantly, not least because of the varying

availability of petrol. Meanwhile, 161 entirely new airlines have been registered offering scheduled services

Gillian Tett explains how best to survive air travel in Russia Pack a sense of humour



competing with Aeroflot. One is the Transaero group, which offers reasonably priced flights between Moscow, Riga, Kiev, Alma Aty and other cities. The airline uses two Boeings and two Ilyushin 86's, mercifully redesigned inside. The hub is Sheremetevo I airport, one of the less unpleasant

in Moscow. The hostesses trained hy Air France, are smart. And instead of the standard Aeroflot food - ruhbery chicken squares and strange, recent Transaero flight from Alma Aty was a herb omelette, complete with button mush-

pany is tha Chance airline, which flies three times a week between Moscow and Thlisi Chance's \$150 service, like Its name, is memorable. The tickets themselves are as flimsy as loo paper, but passengers are

A third alternative is to char-ter your own aircraft. Private jets can be hired from most west European countries, and

safety record - hut that is

unlikely to deter anyone who

couraging.
Aeroflot will also arrange charters and Russian army units sometimes offer their own aircraft for private flights,

and destinations on the trip, the cost may not be too dis-

particularly in far-flung regions.

If none of these options is

feasible, then you will have to use a scheduled flight from one of the former Aeroflot carriers. tactics which can help on any

travel with a local. Having someone who can argue with çan determina whether the journey is simply novel or nasty. Many airport officials outside large cities like Moscow will not speak English, and the system for check-in can be bewil-

 Equip yourself for long delays, wherever you are flying. Take some food. Loo paper and whisky are also helpful. Abova all, bring something utterly absorbing to read. Travel light. Recovering lost checked-in luggage is difficult. Although there is little leg room in the cabin, you can usually store extra hand

 If your aircraft suddenly dives, do not immediately panic. Remember Aeroflot lots are trained fighter pilots, which makes them highly

· Finally, hang on to your

# More leg room for your money

Gordon Cramb discovers that there is a bonus for some KLM business-class passengers

hose with a long-haul flight ahead of them this winter, and an employer who is prepared to pay for a business-class ticket but no more, might wish to consider going Dutch. On KLM, you could land a

first class-type seat for the journey, without forking out extra cash for the privilege. The Netherlands flag carrier last mouth abolished its unprofitable Royal Class. It is reconfiguring its fleet to add seats in the tourist cabin and move busine to the front of the air-

The process will take until March, and the airline has changed only one aircraft so far. On the rest, the former first-class cabin is untouched luggage at the front or except for the menus. So for a club-level fare, husiness travellers who strike lucky can stretch out for a near-horizon-

So how can you get one of these seats, rather than a more closely packed and steeply angled one in the regular busi-

and ask about the configuration (as a rule, if it is an oldstyle interior, make sure the row number is in single fig-ures). KLM is being a bit coy about this facility and its agents may need some prod-

One way to improve your chances, and to benefit for further flights besides, is to join the airline's frequent fiver programme. The scheme - inevitably, it is called Flying Dutchman - may grant priority in seat preference and is offering double, its usual credits for double its usual credits for business-class travallers through the winter season equivalent to those previously accorded to Royal Class pas

There is some inconve the transit through Amsterdam's Schiphol airport can mean a long walk from gate to gate. You may be additionally score enough points for a free ticket back there, to

Sign up for the special Qantas 'Frequent Flyer' treatment, and wno knows wnere you ii

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'Apart from Business Class Apex Fare. Redemption on British Airways is not valid on flights from UK to Singapore, Bangkok, Australia and New Zeeland.

#### Lunnel vision realised

applause on Friday evening as the driver announced that we were travelling at 100mph 40 metres below the seabed of the Channel on the first public journey through the channel tunnel, writes Andrew Taylor, Construction

the group.
The new Eurostar trains, which will not be operating summer, will transport passengers in just three hours from the centre of London to the centre of Paris. The trains are still being tested. Friday's historic trip through the

tunnel was made in a Thameslink Sprinter. It may have been historic but it was not spectacular. After 30 minutes one tunnel looks much like another. But the ride was

exceptionally smooth. With the air-conditioning working a guaranteed seat and a meal it will be very comfortable. Return fares to Paris and Brussels will match those charged by airlines. The first consumer test suggests the tunnel will be a real alternative for the busines traveller crossing the channel - that is if British Rail can sort out the journey from London to the tunnel.

Trouble spots Algeria: The British foreign office is advising against travel to Algeria in view of several recent attacks on foreigners, apparently by terrorists. A British resident and a Spanish visitor have been among those killed.

Malawi: Following gunbattles between the army and armed Malawi Young Pioneers, the situation is quieter. The British foreign office is not advising against travel to Malawi, but it recommends visitors should exercise care.

Lithuania: Several cases of diphtheria have recently been reported in Lithnania.

#### Strikes

Athens: Bus drivers on Friday called a halt to a two-day-old strike as a Christmas goodwill gesture, but pledged to resume their protests at government plans to renationalise the city's



The drivers, most of whom hought their buses in August 1992 when the conservative government privatised Athens's bus service, called a strike over the new Socialis government's plan to reverse the privatisation.

Sweden: Almost all Swedish air traffic control could be paralysed by a threatened stike of 5,000 controllers and a possible lock out by employers on December 13 and December 20 in a wage dispute.

Other news Concorde flops: A special 32 hour Concorde flight around the world to celebrate the New Year was cancelled after only 10 people expressed an interest in the tickets selling

at \$25,400 each.

Air deal: Britain and Latvia signed an air treaty last week which allows scheduled flights between the two countries for

Test case : A High Court case by a schoolgiri and her teacher against the Association of British Travel Agents over a 210 holiday insurance premium that was not repaid when one of its members want out of business ended last week. The judge has not said when he will make a roling. Mr Robert Webb QC, couns for the pair said there were about 25,000 cases, with a value of £250,000, resting on the outcome which had wide implications for the industry.

Smoke Free by 1995: Cathay Pacific has taken a step closer to becoming a "smoke-free" airline From March 1994, all Cathay Pacific flights between Hong Kong and Europe will he no smoking. This will bring the total no smoking flights operated by the striine to 70%.

#### BUSINESS TRAVEL

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#### FINANCIAL TIMES SURVEY

# TELFORD AND SHROPSHIRE

Monday December 13 1993

While the development of Telford has attracted overseas investment and brought new high-tech industries into the county, the worry is that the pace of indigenous growth is too slow to create enough jobs for an expanding population, writes Paul Cheeseright

# **Building on** success not an easy task

itac, the Taiwanese computer company, will today open its
23.8m new plant in Telford. At
the same time, the US group,
Augat, which already makes telecommunications equipment in the town, will announce a factory expansion - so that it can make automotive components - and the establishment locally of its European head-

Telford would perhaps have preferred larger investments than these with which to celebrate the anniversary of its creation 25 years ago as one of Britain's new towns, with a brief to provide new homes and jobs for overspill population from the industrial West Midlands. Modern factories and office blocks stand as testimony to its achievements but recession at home and overseas has slowed the inward move-

ment of companies. Since 1968, more than 130 companies from 18 different countries have settled in Telford, Most came from else-where in the West Midlands but US groups were also among the early arrivals, and in the 1980s the pace of Japanese investment quickened. About 35 per cent of all Japanese companies investing in the UK have come to Telford, including NEC, Ricoh, Maxell, and Epson. The hope now is that Telford will draw companies from the growing econo-mies of the Pacific Rim.

Telford's attractiveness owes much to the availability of land, the ease of movement around the area, and the local workforce'a willingness to

It has been able to meet the needs of high-tech industries requiring open space, in a way which the Birmingham-Black



Country conurbation cannot. But the town has not escaped the effects of recession and, as the UK economy tentatively resumes growth, the immediate prospects for Telford and Shropshire are mixed. Expansion in the short term is likely to depend more on indig-enous growth than on injec-tions of capital from outside the region, yet the pace of such growth seems certain to be slower than needed to make an impact on unemployment, or to cope with the demands of an increasing population.

Employment growth has recently been weak. The latest West Midlands business survey carried out by Wolverhampton Business School concluded that growth had taken place everywhere in the West Midlands except Shropshire.

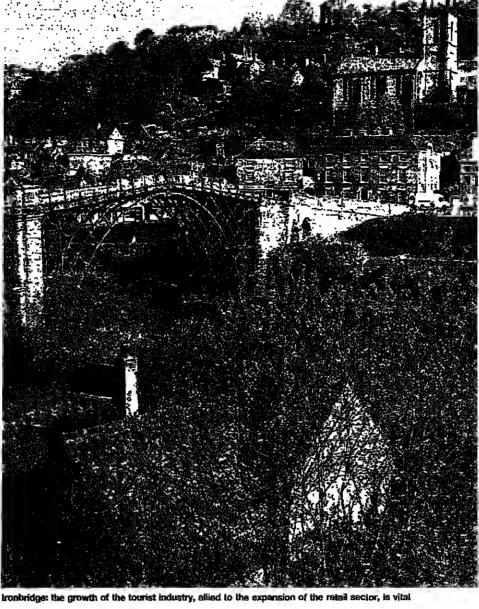
However, the same report showed that the proportion of companies in the county reporting increased sales was the highest in the region. "You would not expect everything to be smooth coming out of reces-sion," Professor David Walker, head of the centre for husiness research at Wolverhampton University, argues. "Until now, Shropshire has fared reasonably well. It does not have heavy industry winding down. It has shown growth on the level of Coventry, but it is not so dependent on the motor industry."
Indeed, heavy industry

wound down decades ago, leaving a legacy of disused mine shafts and derelict land. Clearance of that land as part of the development of Telford made it possible to attract a new generation of light, high technology industries and confirmed Telford's position as the industrial centre of the county.

It has been a costly process. About £1bn of public funding has gone to Telford, drawing in a further £800m in private sector investment but the town must now fend for itself without subsidy. The main incentives which Telford was once able to offer potential investors have been removed: its intermediate status as an assisted area disappeared this year, its enterprise zone with the associated capital allowances and rate rebates is not only expiring, but is nearly full.

The development corporation which guided Telford's development has been wound up, "It was an engine fuelled by vast sums of money. Taking it away leaves a hole," says Stephen Jury, chief executive of the Shropshire Training and Enterprise Council.

Responsibility for promoting



the area has passed to the Telford Development Agency, established by the Commission for New Towns, Wrekin district council, the local authority for the area, and Shropshire county council. It is continuing to target existing sources of potential investors.

inward investment and new A scheme designed to appeal

to internationally mobile executives and their companies is "Sky Park". The plan, currently with the Environment Secretary, envisages a developmeot of 63 homes with hangars at the bottom of each garden linked to a central runway which executives could use to

More generally, however, the town must now rely on its basic advantages to attract newcomers: the availability of greenfield sites and labour, and easy access to new office accommodation.
At county level, too, concern

is focused on establishing factory space and communications for new corporate residents. "Once the infrastructure is there, people will come, says Bruce Crawcour, economic development officer at the county council.

The challenge of providing enough jobs for a growing population is, however, a big ooe. A study carried out hy War-wick University for the Tec predicts population growth in the county of 34,200 during the decade to 2001.

"A substantial number of

jobs will have to be created. It is difficult to see how this can be achieved without inward investment," warns Mr Jury. If employment growth does not resume, according to the Warwick study, "the projected pattern of population change implies that the Tec area will contain substantial numbers of unemployed people aged over 35 by 2001, [particularly in] areas such as Telford which have attracted migrants who will be in this age group by

Telford can be expected to grow, but the greater number of jobs will not be in manufacturing, where higher productivity is leading to less rather than more employment, but in the services sector. Thus, the growth of tourism and leisure, allied to the expansion of the retail sector, is vital.

So far, in the county as a whole adjustment to a slowly rising population and the recession has been relatively smooth. Unemployment rates have generally been below the national average.

The highest rates of unemployment have been in The Wrekin, and in Oswestry, both dependent on manufacturing. Both have pockets of structural unemployment, with rates at about 20 per cent. Indeed, concern in Telford about deprivation was such that the Wrekin Council made a bid - unsuccessfully - for City Challenge funding from the government.

Some farms in the hill areas have been running at a loss and as wealth has diminished, services have been run down and some communities have found themselves locked into a

"The most important thing for strengthening the rural

economy is to have a first class telecommunications network. This is the way of removing rural inaccessibility," says Mr Crawcour.

The search, therefore, is for economic diversification, and, if it could be achieved, stronger local control over important economic decisions affecting the county.

In a county where companies employing more than 200 workers make up just 1 per cent of all companies, Telford is the centre for the larger manufacturing groups, and from the New Town's earliest days the growing diversity of their ownership has been a source of strength and of innovation in product development.

But, it is also a source of weakness in that local managers often have only immediate operational control. The decision to move the work of Venture Pressings to Halewood was taken, for example at Ford beadquarters, and not in Tel-



ford where the factory is based Mingled with the satisfaction that companies have set up operations in Shropshire is the lear of instability that comes from being largely a hranch economy as far as higger companies are concerned. "We suffer from the lack of large companies owned and managed in the county," Mr Crawcour

says.
To create a stronger economic infrastructure for growth in the south and west of Shropshire, the county council is applying to the European Commission for £20m of funds. It is a modest sum compared with that which helped to create - in the development of Telford - a focal point for growth in the Midlands.

The hope, bowever is that it will generate conditions in which further growth can take



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1992/93

Hazel Duffy looks at the young town's efforts to attract newcomers

# Fledgling finds its wings

abandoned by its parent, the Telford Development Corporation, in 1991. The corporation had been the guiding influence of the new town from its inception. Abandonment, forced by the government, was hard and Telford protested to no avail.

But Telford does not have to stand entirely on its own two feet - yet. The corporation's responsibilities were split three ways. The government's own body, the Commission for New Towns (CNT), was assigned to dispose of 2,500 acres of land that had been in the ownership of the corporation.

The Telford Development Agency, was set up by the CNT, Wrekin District Coun-cll and Shropshire County Council to market the town and attract inward investment. The district council resumed planning powers, except for the acreage which is the responsibility for the CNT.

Arguably, at 23, it was time for Telford to get out from under the wings of its parent. Those who opposed, did so on similar grounds to those used by other new towns - they were not yet ready to be launched into a harsh and highly competitive world without the special care implied by the development corporation structure.

Telford has been helped to the tune of about 11hn from government over the past 25 years, complemented by £800m invest-



ment by the private sector. This may seem generous, givan a population of only 120,000, although others might compare it with the public subsidies that have gone to London Docklands over just 10 years.
Young Telford has had some tough times in its short life. It was hard to tempt manufacturers into the area when communications with the outside world were as poor as they were until the M54 was opened in 1983. Meanwhile, the existing industrial base in the town was crumbling fast. Tens of thousands of Telford jobs disappeared in the recession of the early



David Hutchison

1980s, when so much of manufacturing industry was unable to live with a sterling exchange rate dominated by North Sea oil

The past 10 years have been much more accessful. Telford Development Corporation had been far sighted in the 1970s, seeing the threats to manufacturing industry on the horizon, and reading the omens for a town which depended on corporate parents which were located anywhere but in Shropshire.

The corporation knew it had a lot to offer, particularly to Japanese companies which were starting to look towards



Europe, and to towns which could offer greenfield sites. It went out and marketed, and got the companies in.

Christopher Mackrell, the CNT's director for the West Midlands (Telford and Redditch), and former commercial director of the Telford Development Corporation, says that 35 per cent of Japanese investment in the UK is in the town.

It has taken time to build up this level of confidence, however. The plight of the town in the early 1980s

was such that the Treasury agreed to an Enterprise Zone to help the town become more competitive. The rates holiday, and attractive terms for writing off capital expenditure against tax liability, have helped to sell most of the 250 acres EZ. Just 20 acres remain undeveloped. Unlike in the early days of Telford, when factories were predominantly rented, most of the property has been bought by investors or the occupiers of the premise

Under the New Towns Act 1985, the CNT, which will be wound up itself in 1998, is charged with disposing of a land bank equal to 2,500 acres. It is all outside the EZ. The land is spread mostly around the outer ring of the town. It already has outline planning permission for development, either for housing, or employment, most for industry, but also for commercial purposes. Sites can be assembled if this is

what a client wants.

The grant of formal planning consent for specific projects lies with the CNT, in conjunction with the Environment Secretary. However, it is highly unlikely that an end purpose which did not meet the approval of the District Council would be permitted.

The land bank is important from the point of view of the West Midlands region. Greenfield sites are a rarity, given the government's leaning towards disallowing further development of green belt land. The Telford land bank, according to the

Telford Development Agency, represents about 40 per cent of good quality land in the region. It is a powerful marketing tool within the region, although Telford has plenty of competition from outside the

Industrial land is priced at about £115,000-£125,000 an acre, land for housing at nearly £200,000 an acre, prices which, Mr Mackrell says, "provide a yardstick for negotiated disposals", to current occupi-

ers, as well as to prospective developers. In the two years, since the disposal edict was issued, £20m has been realised in land and property sales by the CNT in Telford. This breaks down into about 100 acres sold for housing, 25 acres for employment.

Wrekin District Council also owns property, worth about £40m, which it rents out at 23.50 to £4.50 a sq ft for industrial users, and between £8.50 and £10.50 a sq ft for offices. The Council works closely with the CNT. It is content to let the CNT, with the Development Agency, market Telford, acknowledging that they have far superior networks of international contacts than a district council could make the

district council could muster.

Among existing businesses, however, the Council is working hard to promote networking. Under the old system, the velopment Corporation was responsible largely for external relations with the private sector. Now, increasingly, it is the

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council.

David Hutchison, chief executive, admits that they are still learning. But he points proudly to the Business Link (One Stop Shop), opening next year, which Telford has managed to secure with strong Council input. Before the end of the decade, and the wind up of the CNT, Wrekin will have acquired the skills of parenting.

nrelenting blackness hung over the back-to-back slums of Birmingham and the aptly named Black Country well into the 1960s. The worst conditions

prevailed in factories and offices. Then in 1968, Telford - the town was named after the inventive British engineer - was planned as an overspill from the huge West Midlands conurbation.

Demographers at the time were predicting that the population of the area would grow. The new town was designed to accommodate this projected growth and to put people in improved surroundings. Although the idea of creating new

towns to relieve population in urban areas was unpopular in some quarters, ministers had decided that in the West Midlands some relief had to be provided. While a predominantly rural county, the chosen new town area of Shropshire was far from being a rural paradise of

green fields on which young architects

could unleash their ambitions. John Madin, architect of the plan, says his first inspection of the area revealed mile upon mile of derelict land running from the Severn Gorge to the A5". This is where the Industrial Revolution was born. Spoil heaps littered the area and he and his partner later discovered 3,000

The task was twofold: to plan for a new town and to reclaim this large tract of

### Coping with the unexpected darelict land. But the real test of the in the next decade, Part of the reason and the town centre. A secondary road Madin plan – based originally on that behind the discrepancy in the figures was system connected the residential areas – a

Hazel Duffy finds the real test of the town plan was its adaptability

Madin plan - based originally on tha Dawley area, in the south of what is now Telford, and expanded by 1968 to include the area to the north - was whether it could be adapted to the political and economic shifts which lay ahead.

The plan had to be strong but flexible. "A plan which would, as the town was built, accept economical and social

in the event, Telford had to be shaped on a smaller population than originally planned

changes from then into the 1990s. In the early '60s that seemed a long way off. ft seemed as far away and as unrealistic as George Orwell's 1984," says Mr Madin. In the eveot, Telford had to be shaped

on a smaller population than originally planned. Instead of the forecast 225,000 by the early 1990s the 1991 census puts the population at 119,000 and this is not expected to increase much beyond 140,000

that families were turning out to be smaller than expected. Also Telford did not attract as much employment as had

The Midlands economy - which it was assumed would provide most of the jobs for Telford - did not go on expanding beyond the early 1970s. Existing industry in the Telford area, notably tha companies

in the GKN complex, shrank.

The planner Professor Colin Buchanan, whose report on traffic in towns was published 30 years ago, was more successful in bia predictions. Professor Buchanan said roads and other facilities would have to be built to accommodate the growing number of cars and trucks.

While, to a large extent, Professor Buchanan was ignored, Telford - the first new town to be planned post Buchanan sbows his influence.

The original plan specified a town motorway, linked to the main roads, connecting residential areas with industry

system connected the residential areas - a group of villages, based on the original villages in the area and supplemented by new clusters - and access to the town centre. Local distributor roads joined up with the inner and outer roads.

This concept was expanded to include the larger area five years later. Pedestrians were not to be neglected. Walkways connect the bousing clusters with schools, community facilities and transport to the places of work, Green swathes of land have survived between the villages. A park was built in the centre.

One vital road link was missing for the first 15 years - the connection with the M6, although Mr Madin says he had told ministers at the outset that Telford must be connected with the new motorway network if it was to succeed.

The M54 was opened in 1983. Continued government restrictions on industry expanding into areas other than those of persistent high unemployment was to prove another shackle on the growth of elford into the 1970s.

Those who did move there, however, were greeted with houses and their own



John Madin, architect of the plan

small gardens. Tower blocks were discouraged in Telford, in spite of their huge popularity with architects and treasurers

The first houses were almost all built by the development corporation for rent to standards which were higher than those the private housebuilders could afford to specify. Space was set aside for private housing, however, much of which-

has since been taken up. Planning in the 1960s assumed that automation was going to allow for more leisure time. The white heat of technology was to be turned to the benefit of everybody, giving them more money and more time to enjoy themselves.

Large companies help stabilise the economy, says Paul Cheeseright

In fact, it was unemployment which our struck Telford in the 1979-1982 recession. The fall in spending power and the slower than forecast growth in population meant that investors were reluctant to take up the Telford opportunity.
This has granually changed as the town

succeeded in persuading the government to designate an enterprise zone within its boundaries and as the development corporation attracted a new and more diversified group of employers from other parts of Britain and from overseas.

The town centre has expanded and attracts shoppers from a wide area, although the shopping centre does not look like the one that was originally planned, which specified shops to be built on a canopy, with car parking facilities

Instead, the shops are surrounded by open-air car parks as in out-of-town shoping centres. But, as Telford matures levelopers may be persuaded to work up improved scheme

Many things did not turn out as planners in the 1960s had envisaged. But Mr Madin, who now runs an international design group, believes that his original plan – dubbed a plan for "freedom city" in 1969 by the Birmingham Evening Mail was largely respected by the development corporation.

Above all, the plan proved to be flexible enough to cope with the unexpected. And the town is gaining the self-confide that is to be expected of a 25-year-old.

has played a major role in Telford evolving from a concept into a successful new town which has an international reputation as a business location.

During the last 25 years the County Council has:

- shared in the construction of new roads to make the town more efficient for industry.
- built 23 new schools to provide the skilled workforce for the future.
- promoted Telford as a regional growth centre.
- built a central and other libraries to enhance the cultural life of the town.
- sponsored the Telford Development Agency to attract inward investment.
- built a new central fire station at Stafford Park and another station at Tweedale. built new premises to care for the elderly and
- handicapped. attracted over £15 million of European money

to fund the town's development. The County Council is proud to have played its part in Telford's success and looks forward to Telford's next





Shropshire County Council, The Shirehall, Abbey Foregate, Shrewsbury Shropshire. SY2 6ND Tel: (0743) 251,000 Fax: (0743) 360315

Town loyalty is what counts Hill Engineering and Eliesemere Electronics caused 600

uller, the German dairy foods group, this year will produce £125m worth of yoghurt at its new custom-built plant at Market Drayton. Shropshire would like to have a faw more companies like it. Indeed, the county council made abortive hids to attract Toyota, the Japanese motor manufacturer, and Fortex, the New Zealand, meat

processing company.

The reason is not far to seek. Shropshire is a county of small towns. Loyalties lie with the towns rather than the districts of which they are a part. Large companies help to stabilise the local economy of particular areas. If they close, then the immediate effects can be far reaching on relatively amall communities, pushing them into a spiral of decline. Outside Telford, the largest

concentration of people and economic activity is Shrewsbury, the county town. It is not only a modest manufacturing centre in its own right with companies such as Perkins Engines and Vickers Precision Components, but also a significant retailing and financial services centre, drawing in hust-ness from both the county and

Its diversity and size meant that Shrewsbury survived the recession in better shape than the industrial centres. Analysis of unemployment on a district basis by the West Midlands Enterprise Board showed that, at the end of the summer, unemployment in Shrewsbury was 8.3 per cent compared with 10.6 per cent in The Wrekin, of which Telford is a part, and 10.3 per cent in Oswestry in

the north of the county. Where there is less diversity, local unemployment rates have been higher. When J.P. Woods closed its poultry processing plant in Craven Arms, south Shropshire, with the direct loss of 500 jobs, it threw out of work 6.5 per cent of the local labour force.

New investment to compen sate for that shock to the local economic system has not been forthcoming.
The combination of national

recession and the relative declina of agriculture led to a chain of plant closures. At Ellesmere, in the far north of the county, closures and or reductions in plant size at companies like Dairy Crest, Swan

jobs to disappear. At Express Dairies in north west Shropshire, cheese making stopped and 140 jobs were lost.

When Farmgas, producing energy from farm waste in Bishops Castle on the south west side of the county, trans-ferred operations to Derbyshire, 100 jobs went. St Ivel's decision to close a yogburt plant in Whitchurch, north Shropshire, led to the loss of

Whitchurch has become of concern to the county council whose economic officials noted that "there has been a chain of redundancies over the last 10 years. The town has lost its manufacturing heart. There is no longer a major manufac-turer. The biggest employer is Tesco (the supermarket group). Market Drayton was going the

The difficulties of Whit-church point up the more gen-eral problem of a contracting rural economy as lower demands feeds through to the food processing plants and the individual farms. Herein is the aignificance of Muller's deci-sion to build a £30m plant in

According to the county council, 70 local dairy farms are supplying milk exclusively to Muller. The plant itself is now employing 460 people. Its presence has helped to rebuild local business. local business confidence which, in turn, it is hoped, will generate more employment out of its own momentum. But investments on the scale

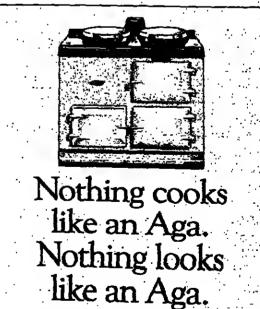
of Muller are rare, although, in co-operation with the West Midlands Development Agency, the regional inward investment organisation, the county council is approaching 550 French companies in the hope that some might wish to set up in Shropshire. For the most part, however, the small market towns of the county will have to seek salvation elsewhere from the declining rural economy.

In the absence of interest from the private sector, local authorities are trying to provide the infrastructure for the development of small scale industry. Thus, the county council has completed serviced land schemes in Bishop's Castle and Craven Arms, Local with the Rural Development Commission and, where the public sector partners can spark an interest, with the private sector to provide industrial space in, for example, Oswestry, Ellesmere, Cleobury Mortimer and Clun.

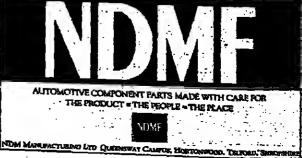
In the case of Shrewsbury, property development is extensive, with the county council involved in four schemes for industrial and office use. One site has been sold to Mercury Telecommunications for a new fibre optic centre; three acres

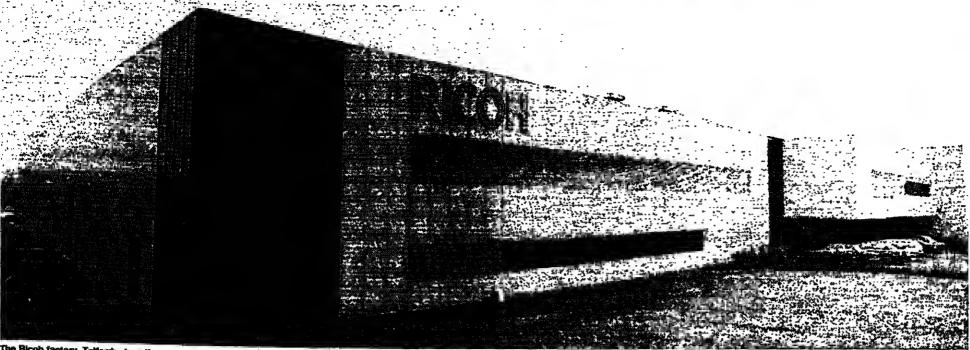
sold to Massey Ferguson, the agricultural machinery group for a sales and service centre. Alongside infrastructural

developments, there is a programme of environmental mprovement in market towns such as Ludlow and Oswestry, the better to encourage tourism and to exploit the alluring county landscape. Shropshire's slogan for tourists is "Staying Off the Beaten Track". But the county would prefer industry to get on to it.



The two or four oven again available in tenence, vitreous enamel colours it blins on natural gas, economy? electricity, soud ruel, ce., lpg to pur out more, send off thes coupon or highers note.





Hazel Duffy looks at the continuing drive to win the foreign investment that will provide employment

Success proves a hard act to follow

Former occupation of unemployed Other services 21% Not stated 4% Construction 14% Agriculture etc. 3% atraction metals 2% **Unemployment rates** August 1993 7.2%

> 8.3% 7.3%

5 Bridgmorth

settlements of Oakengates and

Hadley - displays social and

economic characteristics asso-

Telford tends only to

come into the picture

when a company has

to set up in Britain

conscious of area's needs. With the Commission for New

Towns and several bousing

associations, £17m investment

is going to meet unsatisfied

mand for cheaper housing,

The isolation of its inhabit-

ciated with inner cities.

Telford ply the M54 day in and day out, testi-mony to the hive of activities within the town. The statistics are impressive. More than 1,000 companies have located in Telford, attracted towards the reletively spacious lay-out of the town which puts almost every.

Easy access for supply vehicles also means that people can easily get to the town to work. The town itself has a population which is younger than the region, while the pool of economically active people within half an hour's travelling time is forecast to grow from 552,500 in 1991 to 587,000 hy 1995, according to e study carried out by Wrekin District Council and consultants. Telford has also benefitted

ified for government grants for site within five minutes of a companies setting up in the motorway junction.

> ford's success. ties, which qualify. heavily on the eppeal it has had for overseas companies. More than 130 companies, from

from being an area which qual-18 countries, have set up in the most important relocations. town, mostly in manufacturing, or distribution, but some area, or existing companies are service companies.

investing in expansion. That The US tops the list, but the this status has now ceased can 24 Jepanese companies - including NEC, Ricoh, Epson, be seen as testimony to Tel-Maxell - might be said to have It is now the older urban sealed the town's reputation. areas and towns in the south Companies from Taiwan, one which have been hit hard by of the newer investors from the contraction of defence and Asia, are the latest to choose Telford. other high technology activi-

The hulk of the town's Publicity for the town draws employers, however, have less exotic backgrounds. Most have relocated from other parts of the West Midlands. Two of the

however, have been from the public sector the Inland Revenue, which set up its central computer activities in the town, and the Land Registry. But cherries of this size are not likely to drop again for some

Given the uncertaintles in the British economy, the Telford Development Agency (TDA) must still look overseas to meet the demand for jobs from people living in and around the town. Japanese investment has slowed, German and other European Union interest is not being confirmed. The US is also slow. The TDA is targetting Switzerland, from where eight Telford compenies heve already

Telford was picked for the proposed first British Sky Park. The concept is for 64 houses to be built, each with a hangar at the bottom of the garden, which would be connected to a central runway, so that executives of foreign com-

arrived.

panies could jump into small. ties, which is moving to take jobs simply to stand still. private planes and be in their head offices within a couple of

The suitability of Sky Park to Telford is still ewaiting the verdict of the UK environment secretary. Even if it is turned down, it offers an interesting

The town wants more research facilities and would like to embrace higher technology

angle on the diverse ownership of companies in the town.

Telford's economic architects would like to see a greater diversity of activities to serve as a hulwark against recession and the continued rationalisation of locations by companies.

The town suffered badly in the early 1980s. The current motor industry sales dip has taken its toll even in the past month, with the closure of the GKN/Jaguar pressings activiup Ford spare capacity on Mer-

Telford wants more research facilities and would like to emhrace higher technology. A science and technology park is on the cards. The new Shropshire campus of Wolverhampton University will help to emphasise that the town is increasingly capable of accommodating more than the sort of routine assembly and hack office johs that have proved vulnerable.

Unemployment in the Telford Travel to Work Area is 9.7 per cent. In the town itself, it is at least a couple of points higher. The latest West Midlands Survey\* puts the figure for Shropshire slightly higher than the rest of the region, where employment prospects are improving. Telford seems to he reflecting this trend, since the rise in unemployment also lagged behind that

of the West Midlands. With a growing population, the town has to create more both to rent end for purchase. The upgrading of facilities, such as shopping, is also planned for the districts. Small factory units are being built with the help of European regional development money.

Telford cannot afford to take its eve off the hall for a second. But Telford is not all "new The town has to look good and work well if it is to continue to town". One part of north Telford - based on the old mining attract incomers.

Its marketing people argue that much of the relocation is "self-selecting", determined by the need of the components sector for good sites in the region, and that Telford has

Loss of assisted area status will not help. Competition with other areas, particularly Wales, is intense. Furthermore, Telalready decided it wants ford tends only to come into the picture when e company has already decided it wants to set up in Britain.

ants is all the greater because At the same time it must the new investment has been made close to the area. But a continue to meet the requirehid to get the area designated for the government's City ments of commanies that are already established in the town. The problem with suc-Challenge programme did not cess is that it can be a hard act Labour-led Wrekin Council is to follow.

The West Midlands Business Survey, Autumn 1993, Wolverhampton Business School in conjunction with Warwick Business School and Price Water-

#### Paul Cheeseright looks at the rural economy

# Incomes falling

ohn Evans laid off half his workforce earlier this year. The staff at his 700acre hill country farm in south west Shropshire went from four to two. He has less livestock as the subsidy cushion for sheep and cattle becomes less comfortable. He needs

erations ago. Mr Evans is now freeholder and be will pass the farm on to his sons who. are already training to take it over. He is chairman of the Clun Forest branch of the National Farmers Union and, like his peers, he is coping with changed attitudes to agri-

"I was educated to maximise everything. My sons look at it from a more economic base: you can only produce what you can sell," he said. On 600 acres of arable land,

in the east of the county, Michael Dugdale, chairman of the Country Landowners Association in Shropshire, also wrestles with pressures aimed et reducing his production. He is setting land aside, as he must and, he says, "we grow some crops - grass for seed, turnips for seed where there are no subsidies". He is interested in oilseed rape for industrial use. Things like this will have to

ing but there has been some recent relief. This year farming has been a little bit better than it has over the years. The harvest has been quite good. Price have been dropping lately but they were good prior to the harvest," Mr Dugdale says. Against that, corn exports have not been as

If Shropshire is highly sensitive to both European Union agricultural policy and increasingly to the ebh and flow of market prices, it is because the rural economy plays a larger role in the county than in most others. The predominant land use is agriculture, accounting

Shropshire Training and Enterprise Council reported that, with construction and motor vehicle engineering, agriculture and horticulture is a favourite career choice for males. This choice is unwise since statistics show that the rural workforce has been shrinking.

fewer people to look after shrinking.

The Evans family statted on enced the second largest fall in the farm as tenants three gen employment of all industries. 1,400 jobs, a decline of 18 per cent. A loss of a further 1,500 jobs is predicted by the end of the decade." reported Shropshire County Council. For all that, the number of

people employed directly in agriculture is proportionately higher than the national aver-

Livestock farming is the most labour Intensive and is most common in the uplands, where in some districts

employment is far above the county average

age. The TEC noted, on the basis of the 1991 census, that in Shropshire agriculture accounted for 5.5 per cent of employment compared with 1.7 per cent for the West Midlands region as a whole.

This is an ageing workforce. Nearly 66 per cent of those employed are over 35 and, of them, 75 per cent have been engaged for more than six years. Mr Evans points ont that generations often follow each other on the same farm: grandfather to father, father to

But there are varietions within the county. "There is very little Grade One land, but the arable land is good, and there's good dairy land – it gets the rainfall," said Mr Dug-dale. "The hig area is the uplands and that's the bit there's most concern about."

Livestock farming is the most labour intensive and it is most common in the uplands, where in some districts employment is far above the county average at more than 30 per cent. Shropshire splits into three main areas, with

dairy farming in the north, arable in the east, and beef and sheep in the south and west, the Marches. "Milk has come out of the hills - they have gone to beef and sheep, but on the valley bottoms, there's quite a lot of milking," says Mr Evans.

This sort of shift is not without its problems. Rising sheep numbers on upland landscapes present ecological problems. On the Long Mynd about 18,000 sheep are grazing an area where the ecological limit is estimated to be 5,500 sheep, according to the Country Landowners Association," he says.

But farm incomes nationally and Shropshire is no exception - have been falling steadily since the mid-1980s as costs have risen faster than output prices and the European subsidy regime has become less generous and more controlled.

Surveys of 1990-91 net farm income carried out by Manchester University and used by the county council show that the average farm income for dairying was £22,000 a year for Shropshire, slightly higher than the national average. For cropping it was £17,000, slightly lower than the national average, but for low-land livestock farming, a char-acteristic of the Marches, not enough was earned to cover

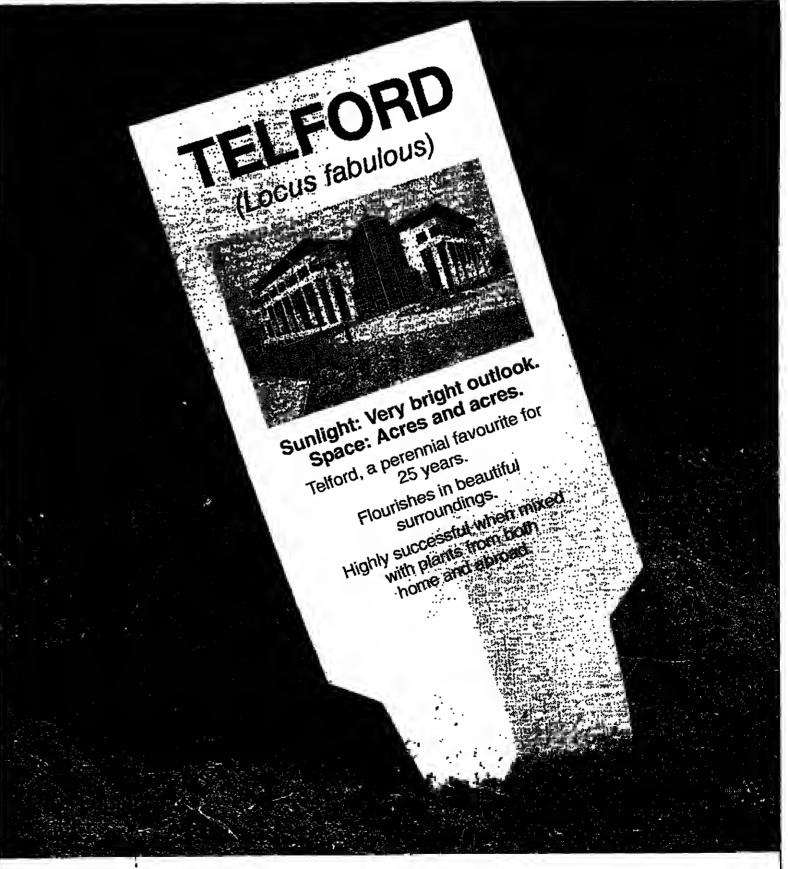
The loss of wealth in the Marches has led Shropshire County Council to work with Hereford and Worcester County Council in the preparation of an application to the European Commission asking for Objective 5b status. This would provide funds to help with the diversification of the rural economy in order to offset the changes which have been taking place in agricul-

Wales already has 5b status. To stop on the boundary is an entirely artificial termination of assistance, says Mr Bruce Crawcour, the Shropshire economic development officer. "The Marches have exactly the same problems . . . If we get 5b status, that could bring in £20m over the next five years for Shropshire and Hereford and Worcester."

ending would be concentrated on providing an infrastructure which the private sector might be induced to use. Private sector property deveiopment in the area has largely come to a halt.

This would be a new pot of funding for an area of 160,000 people who, apart from their dependence on Common Agri-cultural Policy subsidies, have never before had European assistance.

Among Shropshire farmers there is, in any case, an ambivalent attitude towards continental Europe. Mr Dugdale, noting the framing of the set aside rules and their apparent evasion by farmers in some parts of continental Europe, said: "We feel strongly that we obey the rules and the others don't." But for Mr Evans "the French are the best ministers of agriculture we've got".





If you have a growing interest in Telford contact David Rogerson on 0952 29326.2 or return this coupon to the address shown:

lordan House, Hall Park Way, Telford Town Centre, Shropshire TF3 4NF

come in the future." Farm incomes have been fall-

attractive as they were in 1992, largely because of currency fluctuations.

for 81 per cent of the area.

CLWYD **POWYS** 

The dependence on agriculture must be shifted, says Michael Cassell

# **Growing need to diversify**

hropshire may be among the most beautiful and unspoiled of all British counties but the rural characteristics which make it so spe cial also present it with big economic challenges.

The county is among the most rural of all, with the number of people employed in agriculture - at 7 per cent more than three times the national average. Half as many again work in agriculture-related employment and, in the south of the county, one in three people depend for their jobs on agriculture and associated sources of employment.

With agriculture in decline the county's farming workforce fell by nearly 20 per cent during the 1980s and is expected to remain in decline - the challenge is to diversify away from economic dependence on the land and put in place an employment base which can provide long-term jobs for the local population.

Past failure to do so means that younger people have been steadily drifting away from the area in search of employment. The county council calculates that the 1980s saw a net migration of 6.500 people aged 15-24. a trend which also threatens the ability of potential employers to secure the skills base they require to expand. The workforce left behind tends to be older and increasingly

Alongside the decline in traditional sources of employ-ment, rural services are also being cut back, with schools, village shops and transport links topping the list of casualties, in Shropshire, up to 30 per cent of all post offices, garages and primary schools have been

to stem the rot threatening the survival of rural communities and has, in spite of tough restrictions on resources, put in place a framework intended to construct new dimensions for Shropshire's economy.

The task is not an easy one. Shropshire may be exceptionally beautiful, but one of the reasons it has remained so is because road links remain comparatively poor and public commuter services are non-exlstent. Employers may bave taken to Telford in the corth of the county, which is now tapped into the motorway network, but places such as Lud-low to the south have found

Telecommunications has been identified as one of the keys to economic development in a county such as Shropshire

the going much tougher when it comes to attracting new

In the county's eyes, diversification of an agricultural economy means enacting a series of integrated initiatives on several broad fronts, including help to the existing farming community, sopport for new and existing businesses and the targetted promotion of specific industries.

The focus for the county's efforts to develop the rural economy is its rural economic development initiative (Redi) which was set up in 1992 to bring together public, private and voluntary organisations intent npon developing the county's rural economy. Redi's objectives are to identify economic blackspots, devise suitable initiatives and then appoint the most suitable agencies to deliver a response.

South Shropshire district, for example, has been designated part of the Marches countryside employment programme, comprising a three-year pilot scheme which aims to stimulate economic diversification through a partnership of local

Several initiatives are in hand to improve the efficiency of remaining farms and to offer advice on training and employment opportunities beyond agriculture. There are moves to help farmers add value to their products to help them to survive, as well as to develop new products.

Given the problems emanating from the county's comparative remoteness, other poli-cies are in place to help overcome the difficulties of physical separation of the producer and aupplier from the

One of the new "business link" centres astablished by the Department of Trade and Industry is to be located in Telford but, because of the distances between north and south, local partners in the county's business support network are to establish a satellite business development centre in Craven Arms, the small market town which sits astride the A49 close to Shropshire's southern boundary.

The problem of access to advice and information, training and business support services across such a widespread geographical region has also encouraged the county's business development unit to organise a series of rural business surgeries throughout the

This year, the unit changed its business grant scheme to

from the rural south and west of the county and to those companies generating additional employment. Shropshire training and enterprise council is now also providing business start-up and development courses in rural locations.

Modern telecommunications systems have already been identified as one of the keys to economic development and diversification in a county such as Shropshire. In a taste small town of Kington, across Shronshire's southern border in Hareford and Worcester, was this year selected for a national pilot scheme to study the effect of state-of-the-art communications and computer technology on the economic and social fabric of small towns and villages.

The intention is to protect existing businesses and to attract new ones, partially by luring back those people for whom high-tech business and rural locations have always been seen as incompatible. The results of a 12-month study will be closely scrutinised across the border in Shropshire.

Perhaps the most obvious candidate for development as Shropshire tries to escape its agricultural base is tourism. which already accounts for an estimated 10 per cent of employment and which accounts for a £20m annual spend on the part of visitors.

The county last year launched its sustainable tourism project, intended to achieve a sensible balance between the benefits of tourism development and the need to conserve and protect Shropshire's natural beauty. Woe betide county hall if it gets the balance wrong.



ironbridge: the north of the county was the credie of an industrial revolution still calebrated by Bijets Hill fiving community museum

Michael Cassell explains his personal passion for the county

#### piece of heaven on earth choice availabla in better

developed parts of the country

but it has made great strides and can now offer high stan-dards of hotel accommodation

alongside the more usual, and

ever-popular, farmhouse style

to preserve the county's time-

lessness, there has been a

marked sea-change in atti-

tudes. Tourism has finally

economy and the proliferation

of tourist information centres

alone offers evidence of a more

serious, better co-ordinated

In south Shropshire, the

county council has launched a

pilot scheme to identify the

The tourist industry has

approach to the issue.

the most bland, boring and monolonous of all British coun-ties. Holidaymokers should give it n wide berth."

This advice might come from any Salopian or fan of Shropshire who regards the county as a little bit of beaven on earth and who wants to keep it that way. That means scaring off visitors whose tramping feet grind Offa's Dyke to dust or whose flashy, off-road jeeps turn ancient bridleways into battlegrounds.

But rural life is not that simple. Shropshire might not like tourists but it badly needs them. They provide an impor-tant source of revenue for a county trying to combat the declina in traditional industries and, more specifically, for

growing numbers of families who supplement their income from tourism. One in six farms in Shropshire operate at least one enterprise for tourists and the number is growing.

It is hardly surprising. Shropshire is as beautiful and

Shropshire, in spite of its size, remains one of those places that people find hard to put on the map. It usually ends up somewhere east of Mancbester or north of Leeds. Those who find it invariably

fall in love with it. Huge tracts of the county have been designated as areas of outstanding natural beauty. There is rugged wilderness and rich farmland, rolling moor land and wooded slopes; it is part-English and part-Walsh and littered with the evidence of a troubled history imposed upon by its border with Wales. Countless hills are topped with ancient, earthwork fortresses; picturesque Norman fortresses and churches are

Rich in minerals, the north of the county was the cradle of is still remembered and celebrated at Ironbridge Gorge, where Blists Hill living community museum recreates the est in the shadow of Ahraham Darby's famous iron bridge.

Until comparatively recently, disitors to Shropshire were left largely to their own devices, given the restricted support and information services available. It was as though the county was deliberately lag-ging behind, uninterested in encouraging interlopers from a

Hotels were basic, restaurants were mostly caught in a "meat and two veg" time-warp and shopping was unexciting. in one market town was viewed rather like the arrival

of a space ship. The county still cannot claim to offer the broad range of

holiday base.

Despite the continuing wish. under-exploited as it is sparsely populated, a continuing conundrum given its immediate proximity to the indus-trial West Midlends. It is as been recognised as an impor-tant element in the county's though a million Brummies, en route for the beaches of the Welsh coast, have never had time to stop as they rush through a county too close to home to bother with.

> finally been recognised as an important element in the county's economy the area and detailing a strategy and action programme for implementation: If it is successful, similar projects will be extended to other, rural parts of the county.

The county is easily divided into two parts. To the north above a line drawn by the A5 is the best known area, with its tree-fringed meres, pleasantly Ask anyone to mention a

Shropshire town and the chances are they will say Teloccasionally Oswestry. Telford may be Shropshire's commercial "hot spot", with its

influx of high-tech Japanese companies and expanding housing estates, but tourists can easily afford to miss most They might instead try

Shrewsbury, its medieval buildings struggling to hold their own against heavy traffic, or Bridgenorth with its remarkable panoramic views out across the River Severn. Oswestry, on the county's north-west borders, offers a from which to explore a little-known corner of England. But it is to the south of . sures lie, tucked away in the remote, rolling hills around Clun, stretched out along the Corvedale and hiding down the half-timbered lanes of Ludlor surely one of the most beautiful unspoiled towns in Britain.

The tourist can easily spend a week or two exploring the lanes and villages of an area which still battle to remain, as A.R. Housman so famously observed, among the "quietest places under the sun". Ludlow itself, perched above

the River Teme retains an elegant streetscape largely pre-served over centuries. The market in castle square provides a focal point in the shadow of the castle which was briefly home for Edward 1Vs two ill-fated sons. -

economic impact of tourism on Nearby are endless walks across Forestry Commission land in Mortimer forest and there is plentiful game and coarse fishing.

Drive north on the A49 past Stokesay Castle - an exquisite 13th century, fortified manor house open to visitors - to Church Stretton, dubbed "little Switzerland" by the Victorians who established the town as a

200

RESERVED IN THE PARTY OF

OFFIC

At the heart of the Shropshire hills, the town sits under the Long Mynd, 5,000 acres of heather-covered moors which rise like a hump-backed whale behind it. A multi-storey antique market serves as a use which there are plenty.

To the north-west of Ludlov built village at the head of the sand-year-old packhorsa

A little further is Bishop's lards Keep" by novelist Mary Webb. The town has seen more robust times but its High Street still stretches uphill dramatically to the Three Tun-

Then there is Bury Ditch the iron-age fort which stands over Clunton and offers anyone with a bit of puff and a picnic basket one of the most spectacular dining rooms in



# We're looking forward to further growth.

Telford's growth over the last 25 years into a modern and vibrant town, attractive to businesses and as a place to live, has

Call our Land Line 0952 293 131

been nothing short of spectacular. More than 1,000 companies have

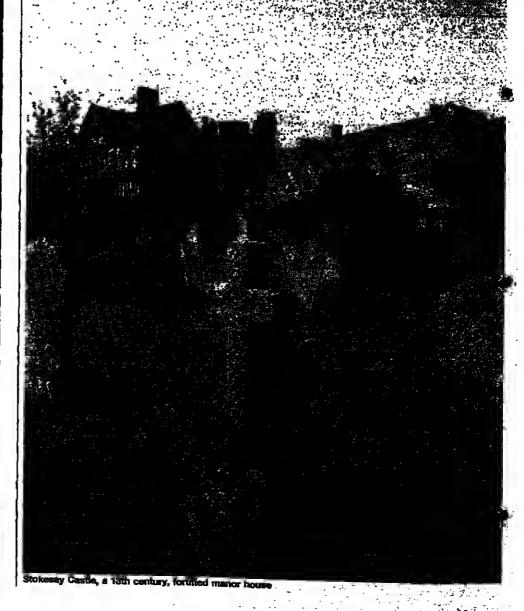
made Telford their home, 130 of them coming from overseas. Many of them are household names like Maxell, Samsung and Windsor Life. An eminently suitable reason for celebration, we'd say.

And with our commitment towards continued growth, the next few years should be a cause for further celebration. Look forward to the benefits of Telford and the opportunities we have.

Look forward to fully serviced sites with outline planning permission. Look forward to further growth and another twenty five

Land and premises with added value.

successful years.



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#### THE WEEK AHEAD

#### **UK COMPANIES**

> I TODAY COMPANY MEETINGS: Stanhope Properties, Lansdowne House Barksley Square, W., 10.00 BOARD MEETINGS:

TOMORROW COMPANY MEETINGS:

Estates & Agency Hidgs., Institute of Directors, 118, Pall Mall, S.W., 10.30
Keystone Inv., 33, King William Street, E.C., sitan Property, Glasgow ecution weuropolitain Property, Glasgow Royal Concert Hait, Glasgow, 11:30 Scottleh National Tat., Charles Caldey House, 125, West Regent Street, Glasgow, 12:00 Scottleh Value Tat., Caledonian Hotel, Edinburgh, 12:00

South Western Elect.

WEDNESDAY DECEMBER 15

COMPANY MEETINGS: Balley (C.H.), Alexandra Docks, Newport, Gweril, 11.30 Finebury Growth Tst., Great Eastern Hotel, Liverpool Street, E.C., 12.00 Fleming Japanese lav. Tst., 25, Copthell Avenue, E.C., 12.00 Averue, E.C., 12.00
Glasgow Income Tet., Hunterian Art Gallery, University of Glasgow, Glasgow, 7.00
Low (Wm.), Blard Averue, Dundee, 12.00
Mejedie Invs., Watermen & Lightermens
Hall, 16, St. Mary-at-Hall, E.C., 12.15
Town Centre Securities, Town Centre House
Merrion Centre, Leeds, 2.30
BOARD MEETINGS:
Finales ggeridge Brick

Hunters Armiey Grp. M&G Gro.

COMPANY MEETINGS:

E THURSDAY DECEMBER 16

Black & Edgington, The Registry, Royal Mint Court, E.C., 10.00 Mint Court, E.C., 10.00
British Assets Tst., 1, Charlotte Square, Edinburgh, 12.30
Govert Strategic Inv. Tst., Shackdeton House, 4, Battle Bridge Lane, S.E., 12.00
Jupiter European Inv. Tst., Knightshridge House, 197, Knioghtsbridge, S.W., 11.30
Overseas Inv. Tst., 23, Great Winchester Street, E.C., 12.00
Smart Life Country 28, Cremond Read Smart (JiContractors), 28, Cramond Road South, Edinburgh, 12.00 VTR, 68, Wison Street, E.C., 12.00 Wellcome, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 11.00 BOARD MEETINGS: Finals: Albion Archer (AJ) Barcom Brunner Inv. Tst. Chiltern Radio Fairline Boats Trio Hidgs.

Bail (AH) London Merchant Securities MS Int. Stewart & Wight Sutcliffe Speaker Victoria Carpets Westport Yorkshire Elect.

E FRIDAY

COMPANY MEETINGS: Benchmark Grp., Institute of Chartered Accountants, Moorgate Place, E.C., 12.00 Lowland Inv., 3, Finsbury Avenue, E.C., 2.30 Nesco Invs., Chartered Insurance Institute, 20, Aldermanbury, E.C., 12.00 Stratagem Grp., Exchange House, Primrose Street, E.C., 12.00 BOARD MEETINGS: Finals: Burndene invs. Abtrust Pref. Inc. Inv. Tst.

Tinsley (Biza)
Unit Grp.
United Inds.
Waverley Mining Finance
Weish and Inv. Tst.

Company meetings are annual general teetings unless otherwise stated. lease note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

Asda Manweb Reliance Security

#### **DIVIDEND & INTEREST PAYMENTS**

#### TODAY

British Dredging 2,6p Chese Manhattan Fitg. Rate Sb. Nts. '09 Coles Myer A\$0.085 Denmark 31/2% Int. Debt DKr3.50 DKB Asia Fitg/Fxd. Gtd. Nts. Dec. 01 \$2087.0 Eleportfinans 7% % Nts. 96 \$393.75 FR Grp. 2.46p Hambros 4.5p Hambros 4.5p Do. NVtg. 2.1p Hamsons & Crosfield 3.8p Hongkong & Shanghai Bk. Prim. Cap. Und. FRN \$63.19 FRN \$63.19
Kitty Little 0.5p
Kitory Little 0.5p
Kilonwort Dev. Fd. 7.75p
Kulonte FFIN 1997 Y75201.0
Lloyds Bk. Prim. Cap. Und. FRN \$195.92
NFC Var. Vtg. 1.6p
Regby Gtd. FRN Dec. 97 \$13662.64
Reed Publishing 9% Gtd. Bd. '94 \$900.0
Royel Ins. 71% Cv. Sb. Bd. '07 £181.25
Sappore Brew. FRN '97 Y726736.0
Smith & Nephew. 1.89p
Temple Court Mort. A2 Multi-Class Mtg. Bckd.
FRN '31 £161.74
Time Warner \$0.08

Time Warner \$0.08 Wootwich Bidg. Scty. FRN 194 £149.59

#### **TOMORROW**

Conversion 91/296 '02 14.75 Marubeni Int. Fin. 7.3% Bd. '94 Y730000.0 Do. Stopol. Coupon Bd. '94 Y600000.0. Pressec Hidgs. 1.82p Takugin Int. Gitl, Filig/Fad. Plate Nis. '02 Tenneco \$0.40

IN WEDNESDAY DECEMBER 15

AECI 5.5% Cm. Pf. R0.055 Abbey Netf.Trees 10%% Bd. '98 £531.25 Do. 11% Bd. '99 £110.0 Albert Fisher 57/4 Gtd. Rd. Cv. Pf. '04 ADS75p
Alfied Leisure 2p
Am. Berrick Res. \$0.04
Attantic Pichfield \$1.375 Bear Steams FRN Sept. 94 \$85.31 Blenheim 6.4% Ov. Pf. 2.998356p Bradford & Bingley Bldg, Scty, FRN '95 £151.54

British Gas 6.4p Brunswick \$0.11 CRT 2.15p. CSX \$0.44 Carbury Schweppes 8% Cv. Bd. 2000 \$400.0 Ceisse Nati, des Auto, 16% Gtd, Ln. '06 Can, & Foreign Secs. C\$3.20 Country Casuels 1,41p Dena \$0,40

Dover Corpn \$0.23 FPL \$0.62 FH1-5U.52 Finsbury Growth Tst. 2p Gerrard & National 8p Gracechurch Personal Ln Fin. Class A FRN 98 \$708.32 98.5708.32
Do. Mezzanine FFN '98.5784.90
Heilfax Bidg. Scty. 8% Nts. '93.5080.0
Hewden Stuart 0.9p
Investors Cap. 5¼ % Cm. Pf. £1.8375
Kajima Y.4.50
Louisiana Land & Expin. \$0.25
Midland Bit Non-Cum Dollar A1 \$0.30175
Do. A2 \$0.075438

Middend Bk Non-Curn Doller AT \$0.30775
Do. A2 \$0.075438
Do. Und. Fitg. Rate Prim. Cap. Nts. \$186,18
Murray Split Cap. Tst. 2.65p
Do. Units 26.5p
Pacer Systems \$0.03
Pandick Press Int. Fina, 7% Cv. Sb. Bd. '98
995 0

Permizos \$0:75 Royal Bk of Can. Fitg. Rate Bd. '85 \$85.31

Royal Bk of Scot. Fitg. Rate Prim. Cap. Nits. \$190.62 St. Lawrence Rail. 4% Stig 1st Mtg. Bd. £1.00 Sappore Brew. FRIN '99 Y18364.0 TRW \$0.47 Tanjong M\$0.03 Thomson \$0.113 Thomson \$0.113 3i Int. 7494 Gtd. Nts. 193 Ecu78.75

Wagon Indl. Cv. Ptg. Pf. 3.625p Wells Fargo Fitg. Rate Sb. Nts. '94 \$132.71 THURSDAY DECEMBER 18

Amber Day 0.25p Assoc. Brit. Ports 10%% Bd. '15 \$1087.50 Chamberlin & Hill 2p Chamberin & Hai 2p Essex Water A 39,1p Do. N/Mg. B 39,1p Finsbury Tst. 1.2p Do. A N/Mg. 1.2p Hernic Gold Mines C\$0.20 Investors Capital Tst. 1.3p Johnston Grp. 1p Keystone Inv. 10.5p

Leads Permenent Bldg. Scty. FRN '98 C152.71 Lloyds Bk Ser.C Var, Rate Sb. Nts. '98 C183.92 Pfizer \$0.42 Pflot Inv. Tst. 0.5p Prowting 1.7p Santander Fin. Sb. Und. Var. Rate Nts. Scotland Int. Fir. 1414% Gtd. Fxd/Pitg. Rate

Scotleshul Int. PRE 14349 GRB. PADFIRS. IN Mts. '96 \$28,69 Smsrt (J) 6.2p Sotheby's Hidgs. Class A Lim/Vtg. \$0.06 Southeast Bank. Fitg. Rate Sb. Nts. '96 State Bk. of NSW 7% Nts. '93 Y7000000.0

R FRIDAY DECEMBER 17 Anglo American Gold R6.25

Bank of Scotland 1.87p Bracken Mines R0.30 Chester Waterworks £0.85 Do. Irrd. Pf. 20.85 East Rand Gold R0.45 Fleming Japanese Inv. Tsl. 0.45p Free State Cons. Gold R1.90 Hankyu Corp FRN '96 Y75912.0 Hunting 4p Johnson & Firth 11% Un. Lr. 93/98 £3.224658

Kinross Mines R1.80 Land Securities 6.6p Leslie Gold Mines R0.35 Mercury Asset Mngmt 4p Molyneux Ests. 1p Nat West Bank 111/2% Und. Sb. Nts. £115.00 Norex 2p

Overseas Inv. Tst. 2.3p

Senior Eng. 94% Un. Ln. 94/99 £4.6875 Sime Darby MS0.165 Unisel Gold Mines RD.15 Warburg (SG) Sp Weish Indl. Inv. Tst. 4p Wensum 0.625p Wetherspoon (JD) 3.6p

Winkelhaak Mines R1.30 Young & Co's Brewery A 7.25p Do. N/Hg. 7,25p

SATURDAY DECEMBER 18 Gen. Motors Acceptance Can. 91/36 Nts.

Dec.\*83 C\$95.0 Gold Int. Fin. Tranche A Fxd/Fitg. Rate Sec. Nts.'-02 Y4125000.0

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(IN ADMINISTRATION)
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Bank Limited (In Administration) ("Boxburghe")
has been convened by Order of the Court to
consider and, if thought fit appares, the proposed
Scheme of Archigoment between Boxburghe and
an erofison under Sociale 425 of the Courted
Act 1985. A copy of the Notice of the Court
Morting a set out below.

No. 0010483 of 1993

LONDON EC3M 3DX

reacting is set out below.

No. 0010483 of 1993
by the High Court of Justice cery Division
egistran Bockley
Notice of Macring
IN THE MATTER OF
BOXBURGHE SANK LIMITED
(Le Administration)

IN THE MATTER OF THE COMPANIES ACT 1945

IN THE MATTER OF
THE COMPANIES ACT 1985
NOTICE IS HEREBY GIVEN that, by an Order
dated 7th Decomber, 1993 made in the above
metters, the Court has directed a Meeting at
the Court has directed a Meeting at
ins defined in the Scheme of Arrangement
arrangement for Esteme Continues of the Company
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proposed to be used between the above amount
Roshwag Be Bank Limited (in addantistration)
(bereinsicher eaffeit the "Company") and the Scheme
Credens of the Company; and that such Meeting
will be held at No. 1 London Bridge, London Scil
OUL on 1870 January, 1994 commencing at
13 a.m., as which place and time all such Scheme
Creditors of the Company; are requested to attend
other in person or by puray.
A copy of the said Scheme of Arrangement and
of the Explanatory Statement required to be
formstated paramant 10 section 425 of the
Companies of which this Notice Scenes part and in
which the raid Scheme of Arrangement in defined
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as "the Scheme of Prove ment be londed with
the Administratures of the Continues of the
United Still 90L. England, before the time
applicated for the Scheme or, failing him. Colin
Graham Butd, to att as Chairmen of the
Meeting insmetisted to the Chairmen or the
ment the result thereof to the Court.
DATED 8 December. 1993
Traven South Braithwale

LIA 122) 8 December, 1993
Travers South Braithersite
10 Snow Hill, London ECLA CAL.
Solicions for the above-mand Coally its Joint Administrators DATED & Des

address to other as declarates to the control of the high administration in the high administration in the high administration in Prior wherehouse (ref. AVI.) No. 3 Landon Bridge. Loudon SEt 9QL. UNITED KINGDOM Tal. "71 493 8888 Fac. "71 939 4176

WERER INSOLVENCY -Capri No. 878/89 on 27th January 1994 at 12:00 and, the Law Court of Naples Sells Complex called Weber Hotel, 118 Marine Piccola St., Capri, in front of udge Perpetus. The complex is on 3910 Sq.m. of grounds and buildings. It consists of 53 rooms and one suite of 60 Sq.m. provided with all accessories and in working order. A swing already designed - might also be realized. All is better described and

specified in the technical consultance report deposited at the Chancery. Opening price Lit. 21,300,000,000 Official Receiver lawyer Massimo Di Lauro elephone Numbers 081/456420-295520



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# People page

# Modernising a monopoly

Cedric Brown tells Lucy Kellaway that British Gas is his job and his hobby horse

oanna Lumley, the leggy actress in British Gas commercials, loves being in control. So does Cedric Brown, the company's chief executive. Yet control is just what he lacks: the company's future rests squarely in Michael Heseltine's hands. Any day now the trade secretary will decide whether British Gas should continue to exist in its monolithic form, and whether it deserves its monopoly of the domestic gas market.

Brown is getting impatient; he wants a quick decision so that he can get back to running the company in earnest. The verdict is certain to force British Gas to become more competitive: Brown will be faced with the monumental task of turning a defensive gas monopoly into a modern. international energy

He might seem an odd person for the job. Brown, who joined the company at 16, is steeped in the old utility culture and bas little experience of the outside world. British Gas has been his life, and he makes no attempt to pretend otherwise. "I'm not one for chit chat at cocktail parties. But if I can get the conversation on to a subject like British Gas, then I'm OK. It's rather a hobby horse of mine."

The hundreds of people with whom he must have discussed gas at parties over the years will have found him straightforward, modest and a good listener. But this pleasant blue-eyed man is not the sort of person one would expect to find leading the sixth largest company in Britain, as it faces its biggest challenge yet.

gest challenge yet.

So bow did be get to the top? Some argue Brown was the best of an indifferent bunch. Sir Denis Rooke, the abrasive chairman during the 1970s and 1980s, did not encourage creativity and initiative among his underlings. "Rooke was an admiral who wouldn't have any captains. When he went there were only subliquitenants left to run the ship," says one well known energy consultant.

Brown's own account of his rise is so modest that if he believes it himself he must occasionally wonder what he is doing in the executive suite at the top of Rivermill House, "It was a mixture of things... partly luck, being in the right place at the right time." He admits to drive and to hard work: he leaves his Buckinghamshire bome at 7 am each morning and four nights a week does

not get back until after 11 pm.

He says his rise all started with the death of his disciplinarian teacher father when be was 16. "If my father had been alive be might have said I ought to take a degree."

Instead, the young Cedric joined Britisb Gas as a trainee engineer and has never looked back. "I've bad a fantastic time, and I've ended up doing a job like this."

Yet Brown's record so far challenges those who think he is not quite big enough for the job. He has doue more in his 16 months as chief executive than Bob Evans, the outgoing chairman, did in his three years of combining both roles. On the eve of taking the job Brown took the unusual step of referring British Gas to the MMC, in a final attempt to end the war of attrition with its regulator Ofgas.

its regulator Ofgas.

To the outside world this marked a strategic shift from the utility's old defensive way of responding to Ofgas' increasingly frequent and damaging attacks. Was it a carefully stage-managed initiative by the new chief executive?

This would have been a golien opportunity to blow his own trumpet; be missed it. "The timing was one of those coincidences," be says bashfully. Brown denies that his public service background is hindering his efforts to

Brown denies that his public service background is hindering his efforts to "create a dynamic entrepreueurial style" at British Gas. He says he has got himself "mentally and attitudinally over a hurdle". He now has to do the same for the company's other 70,000 employees. "I want people to have the confidence to believe that they can



# PERSONAL FILE

Born: Portsmouth 1935
Educated: Sheffield, Rotherham and Derby Colleges of Technology.
Academic qualifications: 100-yards swimming proficiency certificate

Career:
1953: joins East Midlands Gas Board as pupil gas distribution enginee
1975: Director of Engineering, East Midlands Gas
1980: Director of Morcambe Bay project
1992: Chief executive of British Gas.

make things happen. Forget looking back." He is bringing in senior people from outside, and appears to be gently tackling the remaining dinosaurs within the company. "I wouldn't call them dinosaurs," he says, as ever anxious not to offend. "It is just that some people in a company like ours may be concerned about change."

In everything he does, Brown is resolutely optimistic. Ask him about the good and the bad aspects of his job and be will list the good things twice, "I never have nightmares," he says.

e seems to enjoy things that would keep other chief executives awake at night. He even saw something good in telling the company's employees that 20,000 could lose their jobs. "When we made the announcement we found a lot of anger and concern in the regions. I can understand that. I decided I must get out and talk to them." So he spent a month on the road bolding mass meetings, "The only thing to do was to tell it straight. The response from talking to people was absolutely fantastic. I enjoyed it."

Despite his popular touch, Brown has

not managed to get to the top without making some enemies along the way. "The goody-two-shoes bit is a front," says one ex-British Gas manager who is now a senior executive in the oil industry. "He is extremely ruthless, and always acts in his own self interest. I hardly ever knew him to contribute a new idea."

While many outsiders agree Brown is more of a doer than a thinker, they put such violent attacks on his personality down to professional jealousy. "With Brown, what you see is what you get,"

If nothing else Cedric Brown is a stayer. He has been with the same company all his adult life; be has been with the same woman even ionger. "She is fantastically supportive," he says, "and she is very interested in British Gas." That is just as well. Joan Brown has no career of her own — she although has raised their four children — and has been keen to help him in his, It was she, says Brown, who urged him to take the job as manager of the Morcambe Bay gas project in the 1980s, an assignment that made his career. "If you don't do it, someone else will," she had warned presciently.

From January, Brown will be taking a smaller role in presenting British Gas to the outside world. Ultra-experienced Richard Giordano, ex-chairman of BOC, is to take over from lacklustre Bob Evans as chairman, giving British Gas a taste of the outside world. Does Brown resent it? Was it a job he wanted for himself? "British Gas has been too in-bred," be says. "We needed someone with a reputation outside. It is all part of British Gas maturing."

In any case, he reflects, if he were chairman it would mean finding another chief executive. "But I like being chief executive too much myself," he says.

Personae...

# Deutsche Bank: keeping a watching brief

Looking out from Metaligesellschaft's headquarters on Reuterweg in the centre of Frankfurt, chief executive Heinz Schimmelbusch has a clear view of the steel-blue towers of the Deutsche Bank, writes David Waller. He has a habit of pointing up at its skyscrapers and explaining to lunch guests that up there somewhere his lords and masters are keeping an eye on him. In fact, Schimmelbusch is

being watched over by Deutsche Bank - a major shareholder in Metallgesellschaft, Germany's 20th biggest company - but It was in the office of Ronaldo Schmitz, a management board director at the bank and chairman of the Metallgesellschaft supervisory board, that Schimmelbusch, a ruddy-faced Austrian nicknamed "the Rasputin of Reuterweg", together with his finance director and another senior director, met Schmitz at 8 am on December 3. Cap-in-hand, Schimmelbusch, Germany'a 1991 Manager of the Year. asked for new lines of credit

crisis arising from cash
payouts linked to futures
contracts taken out in the US.
Details of the talks leaked
and on the following Monday
Metallgesellschaft's share price

to cover a potential llouidity

Metallgesellschaft's share price fell by 12 per cent. Metallgesellschaft and Deutsche both insist that the llquidity problems are temporary and technical in nature – but it seems that contacts between Schmitz and Schimmelbusch are set to become more frequent in the weeks ahead as the bankers are kept abreast of developments.

On the face of it, the two men have a great deal in common: they are both young by the standards of top German businessmen (Schmitz is 55, Schimmelbusch, 49) and both have an extremely international outlook, speaking fluent English with a north American twang. They are both outsiders in Frankfurt: Schimmelbusch because he is Austrian, Schmitz, less because he was born in Brazil than because he joined the board of Deutsche Bank direct

from industry. This was in 1990 after 23 years with BASF.

Temperamentally, however, they are worlds apart; though both are highly intelligent, Schmitz is an ice-cold and calculating finance man who is head of the bank's corporate

Schmitz is an ice-cold and calculating finance man who is head of the bank's corporate finance activities, whereas Schimmelbusch is an impulsive and impassioned talker, direct to the point of being uncouth.

#### Dreyfus' bear turns bullish

Howard Stein, who over the past quarter of a century has built Dreyfus into one of the US'a biggest mutual fund groups, is nothing if not consistent, writes Richard

Waters.
The perennially cautious
Stein (below) made his first
big impact by pioneering
money-market funds during
the 1970s, at a time of soaring
inflation and interest rates.
Even today, during an equity
and bond market boom,
Dreyfus (and Stein) remain
temperamentally wedded to
more cautious money-market
funds, though the fir meant
made belated efforts recently
to jump on to the equity
market bandwagon.

market bandwagon.
So it was with a dash of humour that the lugubrious stein unwelled last week's plan to sell Dreyfus to Mellon Bank in an all-stock deal valued at \$1.7bn. Stein, a tall, patrician figure renowned for his hands-on management of Dreyfus (he still manages some of its funds), says: "This 67-year-old bear you have been writing about lately has finally

Not that he remained up for long; he found time to remark

found something to be up



on the "potential dangers inherent in an exploding mutual fund and financial services world", and left it to Mellon Bank's Frank Cahouet to talk about the benefits. - TAKE

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For Stein, who also pioneared the development of tax-free municipal bond funds in the US, the deal is a mixed culmination to a remarkable career. Had it not missed out on the mutual fund boom of the past two years, Dreyins (with assets under management of \$500m) is unlikely to have countenanced such a takeover. The changes will inevitably bring an end to the family-company style Stein has always adhered to.

# Zabriskie's point of departure

The question of who is going to emerge at the head of Merck when the charismatic Roy Vagelos leaves the world'a largest drugs group a year from now gets ever more intriguing, writes Richard Waters. Two potential front-runners have now left to run other US drug companies; president Richard Markham to Marion Merrell Dow and, last week, head of manufacturing John Zabriskie.

to Urjohn.

The shake-up following
Zabriskie's departure provides
few clues. True, head of
research Edward Scolnick has
also been given ultimate
responsibility for
manufacturing, apparently
putting him in the strongest
position. But two others have
also seen their roles enhanced
in an apparent attempt to keep
the field wide open.

Judy Lewent, the widely-respected chief financial officer, has also been given responsibility for public affairs, while head of strategic planning Francis Spiegel will oversee Merch's Kelco division. All part of a plan to give managers a more diversified background, says Vagelos. And then there is Martin

And then there is Martin Wygod, head of Merck subsidiary Medco, whose marketing skills and proven shility to anticipate big changes in the drugs market have drawn praise from Vagelos. Asked recently what skills his successor would need, Vagelos replied: "vision". On that test, Wygod wins hands down.

#### MANAGEMENT

TIPS FROM THE TOP

# How to stay in touch with the real world

Liam Strong, chief executive of Sears, describes his methods for sifting and exploiting information

Information is the life-blood of any business, the oxygen that feeds all major decisions. As technology has increased the speed with which news is made available throughout the world, senior executives need to keep abreast of an ever wider range of snbjects. The information demands of any job can be daunting, but it is a salntary fact that any information yon require, no matter bow efusive, is andoubtedly available if you know bow to find it.

I spend about 10 minntes skimming the daily papers but tend to read all the Sunday papers. The UK press generally has very good coverage of international events and I do not usually take international papers. The exception to this is the Sunday edition of The New York Times which I get occasionally because it has probably the best book review section of any newspaper.

newspaper.

New York is still a city where reading the latest books before your friends is almost a competitive sport. I flick through fashion magazines to keep up to date with trends and sdvertising. I make a special point of looking at magazines for younger readers because trends move much faster in this sector.

So far as business reading is concerned, I am now faithful to a small number of publications. Fortune, because it has good, well written articles and is beautifully designed. The McKinsey Quarterly, because it is a good indicator of current trends. And the Harvard Business Review, whose abstracts I flick through with a view to sending copies of

articles around the organisation.

I try to maintain an international network of people who see my markets from a particular vantage point: international store designers, fashion journalists, retail experts from leading business schools, analysts in major market research and brokerage houses and a few venture capitalists on the West

Suppliers are in a unique position to say how well middle management is

living up to the promises made in the corporate mission statement



Coast and in East Asia.

It is wise to assume that all your competitors have access to the same data as you, so any competitive edge will be determined by how fast you can get the available facts and bow effectively you use them.

There is a danger of assimilating too much undifferentiated information on too many different subjects. I try to ensure that our company has a working bypothesis on developments that are likely to have an impact on our markets. So our information gathering is therefore focused on revising and evolving our current view of the

An operation as large as Sears is itself a huge repository of information and I talk to people at all levels as often as possible. Also, the Sears management works hard to ensure everyone is exposed to raw data. Reports and figures that bave been diruted by cool corporate language provide little of the flavour of what is really going on.

what is really going on.
We all sit in on research
sessions, listen to interview tapes
regularly and ensure that our
buying teams are getting directly
involved with the customer groups

they are serving.

Another extremely effective way of discovering bow well your company is operating is to spend time with suppliers. They are in a unique position to say bow well the middle management level in your organisation is living up to the promises made in the

corporate mission statement.

Finally, I try to get ont of the office as often as possible. There is no substitute for direct experience. Few of us get out of the office into the real world often enough.

For relaxation, I am a steady reader of fiction and usually get through a book a week. The range is fairly eclectic, I am not a radio fan, but I do listen to the Archers occasionally to upstage my wife who is a fanatical follower. I rarely watch television.

I travel a great deal and aeroplanes, at least in Europe, are still a haven from the telephone and a great place to work and catch up on reading. At airports I usually huy a wide range of magazines including, I have to confess, Hello!.

Next Monday: George Prince of the Synectics Corporation on running better meetings. he difference between business cultures in the US and Mexico can be trying for both countries. They may have just signed a free trades agreement, but business practices in the two countries are strikingly different, and will probably remain so for some time to come.

The culture clash, as weary US executives call it, has tripped up foreign companies thinking that business in Mexico will be much the same as that at home. Recently several foreign firms - including Commercial Union of the UK and Quality Coils of the US - have packed their bags, after trying and failing to do business south of the border.

The differences range from the

The differences range from the apparently trivial – the time lunch is taken and for how long – to more serious issues such as the way workers should be treated to bring out the best in them. While Americans complain that Mexicans abhor deadlines, and defsr taking decisions, Mexicans say that Americans are always in a hurry and are too impersonal.

For those who get it right, the rewards can be great. Some US plants in Mexico are among the most productive in the world, such as Xerox's in Aguascalientes and Ford's in Hermosillo. Roberto Batres, bead of Arthur D. Little in Mexico, says "the most powerful and basic force behind Nafta is the positive experience US companies have had with Mexican workers".

have had with Mexican workers". The differences in business practices partly derive from a lack of competition in Mexico. Until the late 1980s Mexico's economy had been closed to trade, and there was little incentive to be efficient. Companies enjoyed huge market power, so the customer was never considered important. Government regulations were often burdensome, so rule-bending and good contacts in

the bureaucracy were essential.

While this is now changing, many US executives are frustrated at the slow pace of modernisation. John Atterbury, bead of Southwestern Bell in Mexico, which has a minority stake in Mexico's monopoly telephone company, says he has repeatedly tried to increase the number of operators working in directory services, without any success.

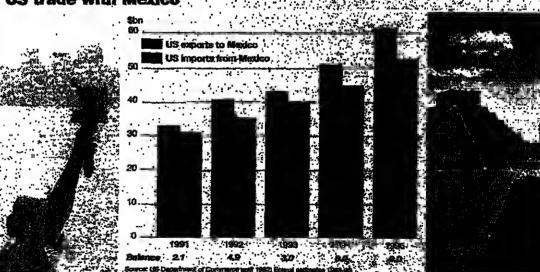
"Obviously any time you come into a country and have an advisory role it is difficult. The main problem is the union rather than the management. The unions have oroblems communicating with their rank and file," he says. "We have to change the culture to be more customer-orientated."

simple administrative differences in Mexico compared with the US often surprise American companies, says Laurence Noclain of consultants Resource Valuation Limited. In Mexico, all bills, for example, have to be paid in person, since no

As Nafta takes root, Damian Fraser looks at business relations between the US and Mexico

# Culture clash on the Rio Grande

US trade with Mexico



company relies on the postal service. This means that salespeople are also in charge of collecting receivables. It is essential that they be rewarded not just on total sales but according to their success in collecting bills, says RVL

Mark Ehrlich, a psychologist who prepares US executives for work in Mexico, says some difficulties arise from different cultural traditions. Mexicans, he says, are more inclined to accept the intrinsic worth of individuals without demanding specific performance or achievement; Americans tend to judge everyone as equal, and value them according to results.

them according to results.

Mexicans in his view rarely put abstract rules and principles over the needs of individuals. Americans believe atrongly that no one is above the law, and avoid making exceptions. Mexicans tend to avoid confrontation for lear of offending people, whereas, in his view, Americans "state the facts, regardless of the impact".

This has important implications for businessmen. Frank Digregorin, the head of Xerox in Mexico, says he tries to make all his Mexican workers feel part of a community, or family. If the workers have to

start at 6am, he is there to greet them. He tries to have a meeting with the unions every two weeks, and a maximum every four weeks. "Teamwork is essential," he says. "You need to communicate a passion for quality." Guillermo Gripp head of Canada's

Guillermo Grim, head of Canada's Northern Telecom in Mexico, says:
"You can be cold and personal in Europe and the US and it works. In Mexico, the best way to do things is to be warm and friendly." He warns Americans never to lose their temper, or embarrass Mexican colleagues in public.

The element that perhaps most frustrates foreigners in Mexico is time. When Mexicans say "right now" they often mean whenever they can. No one is surprised when meetings start late, or are interrupted by long telephone calls. Again, some of the explanation may be economic when Mexico's economy was closed, a shortage of spare parts and raw materials meant planning was difficult, and improvi-

Like much in Mexico, this is now changing, both in the private and public sector. Whereas 15 years ago Luis Echeverria, then president, took pride in arriving several hours

late for everything, President Carlos Salinas is almost always on time. The business-orientated north of Mexico is much more focused on punctuality than the capital, and in terms of time-keeping is almost indistinguishable from the US.

With pay and educational gaps between management and workers much wider in Mexico than the US. Mexican companies tend to be more hierarchical, and less responsibility is delegated. "There are fewer people taking decisions and more people supervising," says Barry Wilson, head of Cadbury Schweppes in Mexico.

Mexico.

Batres says that foreign companies should not mimic this kind of structure. In his view the lack of delegation in Mexican companies partly explains why productivity lags far behind the US. The centralised decision-making stifles creativity, and is economically costly, he

"US companies have learned something that, disgracefully, most Mexicans have not realised," he adds. "This is the tremendous value in the Mexican workforce. It is the gateway to a lean manufacturing process. But the workers have to be

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t Petersburg is the most perfectly planned

was overwhelmed by its beauty

on my first visit in last week's heavy snows. I had expected

great architectural landscape.

killed in most west European

parts are dark and there is no hideous overall sodium glow.

A permanent sense of politi-

ou earth. It is not a part of the

Instead St Petersburg has a

sense of European 18th and

19th-century harmony that gives it an extraordinarily

enlightened and civilised face.

Peter the Great founded the city in 1703 as an act of will to

be dragged ont of the medieval

darkness into the glow of the

enlightenment. He never saw

the scale of the city that we see

now. But it is his dreams that

have flourished upon the

wooden and stone piles that he

drove relentlessly into the

founder of the city had his own

son killed in the Fortress of St

Peter and Paul; Tsar Paul I

was later strangled in the mag-

he 1930s were the golden

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on both stage and screen.

And numerous plays and

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nonstrate that Russia could

and impressively classi-

cal city in Europe. I

Architecture/Colin Amery

# A monster that may ruin St Petersburg



Landscape under threat: UK architects have designed a tower in the style of London's Canary Wharf for a city unsullied by bankrupt building ideas from the west

nificent Mikhailov Palace. Crowds were shot at outside the Winter Palace; and no one in St Petersburg can forget the long Nazi siege and the longer tyranny of communism. It is impossible for visitors not to sense the depth and misery of the past while rejoicing et the visual riches of the city

There is also the sense of bafflement for foreigners who have endured the recent years

of cold war to find a formerly communist country where the Tsarist past has been both respected and rehullt. The palaces of Tsars look as splendid today as they ever have - and the work continues with the rebuilding of Tsarkoye Selo and the occurate reinstatement of much of the work of that great Scottish architect, employed by Cetherine the

Great and her son. Evidence is

everywhere of an incredibly high standard of craftsmanship and a continuity of architectural and decorative traditions. I was particularly honoured to visit the Russian Academy of Fine Arts Institute of Painting, Sculpture and Architecture in its buge, palatial premises on the bank of Vasilyevsky Ostrov, designed in the mid-18th century by Vallin de la Mothe, who was also

ture. I have never felt such e sense of cultural continuity as I felt in the halls and corridors of this vulnerable palace. On its walls hang the diplome works of its artist studeots in unbroken ranks from the 1750s. Life drawings and paintings process in uninterrupted lines on the walls of the great rooms. Although for more than two centuries the subject matter and approach has hardly its first professor of architec- changed, it is possible to sense

work was executed by the very etmosphere that they exude. Like the steps of classical ballet the rigorous rules of the fine arts can be interpreted. once learned, with originality. This tangible tredition

extends to the teaching of architecture, and the display of great woodeo models of some of the major buildings of St Petersburg is a unique and inspirational three-dimensional

the precise dates wheo the work was executed by the very dents of today are well trained in the traditions but uncertain which direction to follow. Their cultural isolation bas, until now, saved them from the barmier aspects of Modernism and the cruder efforts of western commercialism. But terrible clouds lurk on the horizon. At a recent Prince of Wales's Business Leaders Forum in the city the full borror of one proposal for St Petersburg was

unveiled. The proposal to build a giant and pointless tower Vasilyevsky Ostrov for offices, centre", has been promoted by the Corporation of The Twentieth Trust, a group that has grown out of a state construction and contracting company and is now privatising

The most shaming aspect of the whole absurd and damaging proposal is that it is designed by a British firm of architects who should be hang ing their heads in shame. Wilson Mason and Partners may well have been chosen because tbey bave representative offices in Russia - as they have in the Middle East and (God belp us) in Prague. This scheme looks like a pathetic copy of Canary Wharf and f am sure that Mr Oleg Kharchenko the deputy mayor and chief city architect, will refuse permission for this monster to rise and be seen above the glories of the unsullied centre of St

Petersburg. It would be a terrible error for St Petersburg to copy the ludicrous mistake of Canary Wharf and London's Docklands. Neither of these is an example of commercial or architectural intelligence.

St Petersburg should advance slowly. An independent Anglo-Russian initiative bas been launched by the architect Robert Adam and Professor Semion Mikhailovsky at the Russian Academy to bold e conference and exhibition at The Hermitage in September next year. Why should yet another city be ruined by inept commercialism and the adoption of bankrupt architectural ideas from the west? St Petershurg deserves great thought and care before anything is done that will make it exactly like everywhere else. The Peter the Great Tower, as this proposed excrescence is called, is an insult to the city

Theatre/Alastair Macaulay

### You Can't Take It With You

films from that decade remain, not only classic comedies but also classic expressions of the American spirit. You Con't Take It With You, games with embarrassing results. But Coward's play, for all its brilthe most popular of the eight come dies co-written by George S. Kaufman and Moss Hart, comes to us from 1936. Inasmuch as it is about an eccentric family who carry on. being eccentric when they are entertaining polite guests, it is an American counterpart of Noel Coward's well-known Hoy Fever (1925). The differences between the two plays tell us much about America In both Hay Fever and You Can't generous toleration. If you, like me, are in love with

Take It With You, the eccentric fam-

the "Composer of the Week" is gen-

erally a safe bet. The accredited

Greats can be sliced into specialised

five-morning exhibits (Bach at

Cöthen, say, or Mozart's quintets, or

Stravinsky's choral pieces); other weeks can feature less familiar but

digestible composers - Chausson, or

Biber, or the lesser colleagues in

Schumann's circle, nothing tougher

than Britten or Bartok. All this

week, however, Radio 3 is treating

innocent ears to a radical modern-

ist, the American Elliott Carter.

or Radio 3 listeners still on

their way to work, with car

radios or Walkmans, on

weekday mornings after 9

that underpin this play will move you even as you laugh et its farcical liance, is merely about had social manners. The Kaufman-Hart comfamily is absurd. Mrs Sycamore edy goes far further, for it is about (who began to write plays one day eight years ago when a typewriter the complexity of society itself. The Sycamore family may have its crazy was delivered to the house by missides, but it is also a paradigm of take) is given to declaim lines from the great American melting-pot. her scripts in mid-conversation -Gradually it exposes the primness of the polite guests as a form of for example, "Kenneth, my virginity is a priceless thing to me!" She keeps nibbles in a skull. Mr Svcarepression; whereas the sometimes offensive hosts become a model of more, a scientific experimenter,

hallet in the living-room, and her husband, Ed, shoves anarchist/Trotskyist slogans in his canabsurdities. Certainly the Sycamore dy-deliveries because they amuse him. Grandpe has been avoiding paying income tax by claiming to be dead. Visitors include an alcoholic actress, a Russian ballet teacher and one of those White Russian aristocrats who are currently earning their livings by serving in res-taurants. ("Who was that?" "The Grand Duchess Olga Katrina. She's keeps causing explosions in the celjust fixing the dinner.") Amid all these crazies, Alice, the

jewel of graceful normality. (In this context, she is as odd as the niece in The Munsters.) And the polite, prim guests are her in-lews - who no sooner come to call than they find themselves carted off, with everyone else, to jail by the cops.

At the King's Head, Islington, the play is delectable - both funny and touching. Nothing about Martin Connor's staging is perfect; the members of the large cast are either miscast or limited or weak in American accents; and, of course, the tiny stage is so cramped that the actors have to shift a table before they can line up to take curtain-calls et the end. But so what? The play is simply honey; and everyone performs it with such perfectly good intentions that audience and players are caught up together in a con-

#### Comedy/Antony Thorncroft

#### Newman and Baddiel

n Friday the comic duo. Newman and Baddiel, announced that they were splitting up. Unfor-tunately they still went ahead with the final show that evening. You can see why: It was the blg one, Wembley Arena, where no comedians had ever ventured before. A 12,000 crowd, e £100,000 plus pay

There was a definite air of excitement: this was a new experience. The stage was set in the round, a vast space on which egos could easily be slain. But the crowd, mainly currently berett of worthwhile fantasy pop star, was in a fever of excitement. Two and a half hours later, after the last exposure of Newman and Baddiel's most famous sketch featuring two bickering history professors, the audience faded away in silence.

It was bitterly disappointing. There is no physical chemistry between the two 29 year olds (like many double acts they are oot friends), and on the rare occasions when they shared the stage there was an "how many minutes more of this stuff" feel to the exchanges. In the main they do solo spots of

mixed quality. Of course neither Newman nor Baddiel tell jokes - where have you been. They are staunch members of the "quirky observetions of the passing scene" school of humour, with particular reference to private functions. David Baddiel is the laddish one, with jokes about football, or, rather Graham Taylor, and the perils of disco dating. He revels in the scatalogical, majoring in pornography. Compared to Ben Elton or Frank Skinner It is all quite refined but it managed to extract embarrassed shrieks. In contrast Robert Newman is

almost sophisticated, throwing words like existential and conceptual into anecdotes about the problems of being a punk in a small village. He also has the best character, a languid pervert in a smoking jacket who positively boils over at the prospect of providing a bed for homeless lads over Christmas.

Newman is also happy to be politically incorrect, with a sketch on munity, and the tease that in his blanked out television utterances Gerry Adams is actually instructing the nation's lip reading deaf to mix

In this tired performance New-man and Baddiel were not good enough for their audience. It says much for educational progress that the most anticipated spot is built around bickering dons. The idea is that their discussion on the pagan origins of Christmas should be sidetracked into personal abuse at the level of the infants playground.

Like much of Newman and Baddiel, like Friday night itself, it was one sketch too far. The fact that they were being slowly revolved on the stage to give everyone a view took away some of tha intensity, but eveo so the exchanges were as limp as yesterday's lettuce. An audience of a hundred in e puh comedy club might have reckoned they had a fair evening. At Wemhley Arena this particular comedy bubble burst.

#### Broadcast music/David Murray

## An accessible Elliott Carter

acquaintance with his name that most concert-goers have, the gap remains enormous. In the days when I still read The Times, Bernard Levin used regularly to invoke Carter's name as the very emblem of rebarbative modern music. Lutoslawski and Tippett, who are also old enough to have published a body of more easily "accessible" music before they located their most original veins, enjoy much broader

Just e day younger than the late acclaim. Olivier Messiaen, be turned 85 on To any listener new to Carter. Saturday (as Berlioz turned 190); but Carter is still formidably hale end genial, and laden with new and with meagre experience of "progressive" musical developments commissions. Yet between the revsince about 1950, the works of his splendid late maturity may seem opaque thickets. There is e lot of erence accorded to him among serious musicians, and the bare

intense polypbony, and a lot of from the war years, share an Ameri-drama, but without standard, recog-can breeziness (with notable ingenisable guidelines; not knowing what you're meant to listeo for, you may retreat baffled. It is like meeting Beethoven's late quartets without knowing any Mozart or Haydn. But the series devised for Radio 3 this week by Mishe Donat (which really started last Thursday night, with Carter's 1969 Concerto for Orchestra) has e judicious, enticing virtue, and a further bonus.

The special virtue is that it enlists early, "easier" Carter each day to set us up for the denser stuff - something that would be difficult and expensive within a live concert programme. The earlier pieces, all

mrity, but no very striking individual voice) with the out-of-doors terms of Copland and Piston - but also the rangy contrapuntal lines Carter developed whilst studying in Paris with Nadia Boulanger.

From today to Wednesday, each programme culminates in one of the grand transitional works which take the ideal of free-running counterpoint far out: the piano and celloand-piano sonatas, and the towering First String Quartet of 1951. Those all trade upoo just enough post-Ro-mantic rhetoric to give us reassuring signposts, but also attune us to constant platform-hopping between

simultaneous but only loosely and fluidly - and yet most calculatedly - connected with it. Though the intricate whole seems to teem far beyond what we can take in, it draws us into ever closer listening, with ever-increasing rewards. In Carter's music, as he himself

one passionate line and another.

declares in these broadcasts (his crusty, sensible commentary is the special bonus bere), the distinct volces "are free people; this is a world of free individuals joining together to do something - in their own way, and not all marching in goosestep together, the way they do in older music." Deeply American, that; but the exercise Carter gives it is vitally exhibarating, demanding a new, ethletic kind of musical ettention. As the pubescent hero of the American TV series Soop declared. after losing his virginity to his schoolmarm, "It's like discovering you've got a third arm!"

# INTERNATIONAL

#### **■ BERLIN**

OPERA/DANCE Deutsche Oper The main event this week is the first night on Sun of a new production of Un ballo in maschera, conducted by Rafael Frühbeck de Burgos and staged by Götz Friedrich, with a cast led by Mara Zampieri, Neil Shicoff and Viadimir Chemov (repeated Dec 27, Jan 4 and 7). Repertory includes Hansel and Gretel, Die lustigen Weiber von Windsor, Die Zauberflöte and Peter Schauluss' production of Nutcracker. Meistersinger is performed on Christmas Day and

Jan 2 (341 0249) Stuatsoper unter den Linden The new Barenboim/Kupfer production of Die Walküre, pramiered last night, can be seen on Dec 15, 19, 22 and 28, with a cast headed by Deborah Polaski, John Tomlinson and Poul Elming. Repertory also includes Madama Butterfly, Hansel and Gretel and Nutcracker. Barenboim conducts Beethoven's Ninth Symphony on Dec 29 and 31 (200

Philharmonie Tonight: Christoph Eschenbach conducts Chamber Orchestra of Europe in works by Schnittke and Schoenberg, with violin soloist Gidon Kremer. Tomorrow, Wed, Thurs: Claudio Abbado conducts Berlin Philharmonic Orchestra in Beethoven and Lutoslawski, with soloists Murray Perahia and Kolje Blacher, Fri: Trevor Pinnock directs the English Concert in Telemann. Handel and Corelli. Sat: Heinz

Holliger conducts Chamber Orchestra of Europe. Sun, next Mon and Tues: Nikolaus Harnoncourt conducts Mendelssohn and Schubert, Dec 30, 31: Abbado conducts Wagner (2548 8132) Schauspielhaus Wed, Thurs: Bernhard Klee conducts Berlin Symphony Orchestra in works by Webern, Beethoven and Zemlinsky, with piano soloist Andreas Haefliger Fri: Heinz Waliberg conducts Berlin Radio Orchestra in Wagner and Bruckner, with mezzo soloist Kathleen Kuhlmann. Dec 20. 21: Barenbolm conducts Beethoven. Boulez and Rimsky-Korsakov (2090

2156) THEATRE Tonight sees the premiere at the Berliner Ensemble of a new production of Sean O'Casey's Juno and the Paycock, directed by Fritz Marquardt (282 3160). Peter Sellars' English-language version of Asschylus' The Persians, first seen at this year's Salzburg and Edinburgh Festivals, runs from tomorrow till Sat at Hebbel-Theater (251 0144). A new production of ibsen's The Lady from the Sea has just opened at Volksbühne am Rosa-Luxemburg-Platz (282 3394),

to be followed tomorrow by the first night of Andrea Breth'e staging of Hedda Gabler at Schaubühne (890023). Nell Simon's The Sunshine Boys opens at Theater am Kurfürstendamm on Thurs (882 3789). Tennessee Williams' Suddenly Last Summer and Comelle's Le Cld have joined the Deutsches Theater repertory (2844 1226). Ute Lemper is in residence at Bar jeder Vernunft till Sun (883

#### ■ NEW YORK THEATRE

 Angels in America: Tony Kushner's epic two-part drama can now be seen in its entirety, on consecutive evenings (Walter Kerr, 219 West 48th St, 239 6200) The Kentucky Cycle: Robert Schenkkan's drama follows 200 years in the life of a mining family

in Appalachia, and is performed in two parts (Royale, 242 West 45th St, 239 6200) Abe Lincoln in Illinois: Robert E. Sherwood'e play about Lincoln'a lifs in the years running up to his presidency (Vivian Beaumont, Lincoln Center, 239 6200)

 Gray's Anatomy: an autobiographical monologue by Spalding Gray, in which he goes on an adventure through traditional and alternative medicine, realising he must deal with his own mortality. 17ll Jan 3 (Vivian Beaumont, 150 West 65th St. 239 6200) The Ash Fire: a comedy by

Gavin Kostick about a Polish family who mistakenly land in Ireland as they try to stow away to America (American Jewish Theatre, 307 West 26th St, between Eighth and Ninth

 Later Life: A.R. Gumey's witty, perceptive play about a man and woman who meet after e 30-year separation (Westside, 407 West 43rd St, 307 4100)

 Heartbreak House: Shaw'e drama about people so saturated In pleasure that they have lost purpose (Bouwerie Lane Theatre, 330 Bowery at Bond/Second A Grand Night for Singing: a

50th anniversary musical celebration of the collaboration of Rodgers and Hammerstein, with songs from Oklahoma, Carousel, The King and I, the Sound of Music and others. Till Jan 2 (Roundabout, Criterion Center, 1530 Broadway at 45th St,

 She Loves Me: the 1963 Book. Hamlok and Masteroff musical has all the humanity, integrity and charm that Broadway's mega-musicals lacks (Brooks Atkinson, 256 West 47th St, 307 4100) **OPERA/DANCE** Metropolitan Opera Luciano

Pevarotti stars in Verdi's I Lombardi tomorrow, Fri and next Tues (also Jan 7, 12, 15, 20). James Levine conducts a revival of Berlioz's Les Troyens on Thurs, with a cast led by Françoise Pollet, Maria Ewing and Gary Lakes (repeated Dec 20. 23, 27, Jan 1, 4, 8, 13). Repertory also includes La boheme, Fidelio and Il barbiere di Siviglia (362 6000) State Theater New York City Ballet's Christmas production is the Balanchine version of Nutcracker, daily except Mon till Jan 2, with an extra matinee performance on Sat and Sun. No performance Dec 24, 25, Jan 1 (870 5570)

Joyce Theater American Indian Dance Theatre has e two-week season starting tomorrow (242 D800)

Carnegie Hall Tonight: Kathleen Battie. Dec 24, 29: Jaime Laredo conducts New York String Orchestra (247 7800) Avery Fisher Hall Wed, Thurs, Fri,

Sat: Kurt Masur conducts New York Philharmonic in Brecht, Weill and

Berg, with soprano Angelina Réaux. Sun afternoon: Leon Botstein conducts live orchestral accompaniment for 1925 silent film of Der Rosenkavaller (875 5030) Alice Tutty Hall Wed: Tokyo Quartet, with planist John Kimura Parker, plays works by Haydn, Bartok and Brahms (721 6500) JAZZ/CABARET

Blue Note James Moody Quartet and J.J. Johnson Quintet are in residence thie week (131 West 3rd St, near Sixth Ave, 475 8592) Algonquin Hotel Weslia Whitfield, one of the most assured jazz-cabaret voices to arrive in New York in recent years. Daily except Sun and Mon till Jan 1 (59 West 44th St. 840 6800)

Cartyle Hotel Bobby Short ie in Caté Carlyle for the Christmas season, singing Gershwin, Berlin, Ellington and others (Madison Ave at 76th St, 744 1600) Rainbow & Stars Leonard Bernstein

Revue. Till Jan 1 (65th floor, GE building, 30 Rockefeller Plaza, 632

#### PARIS OPERA/DANCE

Opéra Bastille Mirella Freni sinos the title role in a new production of Adriana Lecouvreur, opening next

Mon. The conductor is Maurizio Benini and the producer Jean-Luc Boutte (repeated Dec 22, 27, 30, Jan 3, 6, 10, 13, 15). In repertory with Offenbach's Les brigands (4473

Palais Garnier Ballet de l'Opéra de Paris revives John Neumeier's 1974 production of The Nutcracker on Fn, thereafter daily except Sun and Christmas Day till Dec 31 (4742

Châtelet Tonight: Alicia de Larrocha plano recital (4028 2840) Théâtre des Champs-Elysées Wed: June Anderson song recital. Thurs: Elisabeth Leonskaye piano recital (4952 5050) Salle Pleyel Wed, Thurs and Fn: Georg Solti conducts Orchestre

de Paris and Chorus in Beethoven's Missa Solemnis, with Julia Varady, Birgitta Svenden, Vinson Cole and Peter Mikulas (4561 0630) JAZZ/CABARET American singer/planist La Velle opens e two-week engagement tonight at Lionel Hampton Jazz

Club, in harness with Gerard Badini'e Swing Machine. Daily except Sun from 10.30pm to 2am (Hotel Meridien Parle Etoile, 81 Boulevard Gouvion St Cyr, tel 4068

#### THEATRE

Brecht's Nazi allegory The Rise and Fall of Arturo Ui, directed by Jérôme Savary, has just opened at Théâtre Netional de Chaillot, with Guy Bedos in the title role (4505 1450). Ibsen'a The Wild Duck has joined the repertory of the Comedie Française (4015 0015)

ARTS GUIDE Monday: Berlin, New York and Parls. Tuesday: Austrie, Belgium,

Netherlands, Switzerland, Chi-cago, Washington.
Wednesday: France, Ger-many, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide. European Cable and

Satellite Business TV (Central European Time) MONDAY TO FRIDAY Super Chennel: European Business Today 2230; repeated 0630, 0715 MONDAY Super Channel: FT Reports 1230.

TUESDAY Super Channel: West of Moscow 1230 Euronews: FT Reports 0745, 1315, 1545, 1845, 2345 WEDNESDAY

Super Channel: FT Reports 1230 THURSDAY Super Channel: West of Moscow 1230; FT Reports

Euronews 0745, 1315, 1545. 1845 FRIDAY Super Channel: FT Reports 1230

Sky News: FT Reports 2030 SATURDAY Sky News: 0330; 1330 SUNDAY Super Channel: FT Reports 2230

Sky News: FT Reports 1730; 0430

#### Samuel Brittan

# The harmful myth of hidden state debt



According to an ancient sage there are thre ills: tbose inflicted by providence those inflicted by our fellow

women, and those we inflict or ourselves. The scare campaign to increase the size of esti mated government debt by adding in unfunded public sec tor pension liabilities belongs to this last category.

The origins of the campaign are an innocent enough attempt to study the increasing burden that state pensions will be putting on ageing communities in the years ahead. The burden arises from the combination of falling birth rates and increasing longevity. The EU dependency ratio - those aged over 65 as a proportion of those aged 15 to 64 - is expected to rise from 22 per cent in 1980 to 40 per cent in 2040.

The error has been to project government pension commitments for the years ahead, and (to the extent that they cannot be met from existing taxation) to add their present value to the outstanding government debts as normally measured. The effect of adding in these unfunded liabilities goes well beyond accounting nicetles. The result is to double the ratio of debt to GDP on which so many governments focus, to make most countries seem even further removed from the Maastricht guidelines than they are at present; and above - by persuading public opinion that government finances are even worse than they are - to encourage hairshirt fiscal policies, involving an increase in taxes at a time of uncertain recovery from

long-running depression. Some economists are wont to replace crude government borrowing targets with aims such as maintaining the net value of public sector assets. But if government balance sheets are recalculated to include the supposed hidden pension debt. then existing public sector balance sheets will look much worse and appear to be deter-

| True        | a governme        | ent debt | 1990 (%                            | of GDP)                             |     |
|-------------|-------------------|----------|------------------------------------|-------------------------------------|-----|
|             | Conventional debt |          | Tax claim<br>on public<br>pensions | Tax claim<br>on private<br>pensions |     |
| Belgium     | 128               | 112      | 22                                 | q                                   | 216 |
| Denmark     | 67                | 97       | 19                                 | 0                                   | 145 |
| France      | 47                | 106      | 21                                 | 2                                   | 130 |
| Germany (W) | 44                | 179      | 36                                 | 5                                   | 182 |
| Greece      | 96                | 196      | 39                                 | 0-                                  | 253 |
| Ireland     | 102               | 103      | 21                                 | 12                                  | 172 |
| Italy       | 98                | 184      | 37                                 | 0                                   | 245 |
| Luxembourg  | 7                 | 238      | 48                                 | 0                                   | 197 |
| Netherlands | 79                | 210      | 42                                 | 21                                  | 226 |
| Portugat    | 68                | 167      | 33                                 | 0                                   | 202 |
| Spain       | 45                | 183      | 37                                 | 0                                   | 191 |
| UK .        | 40                | 70       | 14                                 | 22                                  | 74  |

iorating, thus encouraging the fiscal zealots who look for any pretext to raise taxation. We need a more pessimistic presentation of government bal-

hole in the head.

The latest pessimistic estimate to land on my desk is from CS First Boston and is entitled Employment and Hid-den Debt. It is indeed the estimate of the debt which makes the employment prospects worse than they need be. I am using this firm's estimates because they are particularly comprehensive and carefully researched - and my spirits were raised when I read the quotation from T S Eliot's East Coker, one of his Four Quartets, at the end of the paper.

The study is devoted to 'unavoidable yet unfunded" public sector liabilities. of which pensions form a large part. The result for most countries is that hidden debt is higher than conventional debt. All EU countries, bar the UK, have debt ratios several times the 60 per cent Maastricht guideline, The combined debtto-GDP ratio for the Netherlands is blown up from nearly 80 per cent to over 225 per cent. The UK emerges far better than any other country from these computations; but its debt ratio in 1990 is still increased from 40 to 74 per cent and would doubtless be

much higher now. The fallacy of such estimates is to treat pension commitments differently from other forms of public spending. The pay-as-you-go schemes, from

which the scare stories stem are based on each generation of workers paying through taxes and contributions sufficient to cover the cost of pensions for those already retired. Thus pensions are like any other form of rising public expenditure, to be met from higher tax revenue or social security contributions. or

reduced spending elsewhere.

The hidden debt estimates assume that governments will either try to default on their commitments or try to meet them by increased borrowing. irrespective of the state of their economies. The CS First Boston authors cite General Motors, where a new accounting standard, providing for the inclusion of current and future healthcare liabilities, slashed 75 per cent off the corpora tion's equity in 1992. The analogy is wrong because General Motors - heaven be praised does not have the power of

government to raise taxes. Since financial topics give rise to so much emotion, I must make some disclaimers. Of course CS First Boston and other analysts are right to worry about the burden of rising pensions. Alternatives, such as more private pension provision, should indeed be considered. The point of disagreement is the limited but important one of estimating national debt ratios. The question is: do the European financial institutions really want to promote fiscal policies which will make the present economic stagnation worse and delay recovery still further?

ater Mead is a 30-a-day smoker who thinks tobacco advertising should be banned. He knows it isn't entirely logical, but he feels some degree of reassurance every time he sees a cigarette advertisement. "At the back of my mind ( have to helieve the government wouldn't allow something that's going to kill me to be advertised." Mr Mead is chair-

pany business. Dominic Proctor, London chief executive of New Yorkbased agency J Walter Thompson, which has among its clients the tobacco company Cal-laher, the UR subsidiary of the US company American Brands. takes the rather less exceptional line for an advertising man. There should be freedom to advertise anything which it

man of Abbott Mead Vickers, a

top UK advertising agency

which refuses tobacco com-

is legal to market," he says. in Brussels today the arguments which currently divide the advertising industry will be reflected in a debate between Enropean Union health ministers. Under discussion is a European Commission draft directive that would ban all tobacco advertising, apart from point-of-sala material.

across the EU. The Commission's action has been prompted by research showing tobacco products cause 430,000 deaths a year in EU countries. Among the middle-aged population, tobacco products are responsible for at least a quarter of all deaths.

The Commission also says prohibiting advertising will overcome the problem of differing rules across member states preventing the free flow of, for instance, magazines containing cigarette advertisments.

In response, the tobacco and advertising industries point out that the keenest advocates of the plan - France, Italy. Portugal and Spain - either have state-run tobacco companies or allow other companies to operate a monopoly. It would be harder for others to compete against the dominant players in these countries if they were not allowed to promote their products.

They also warn that a ban could set a worrying precedent today Brussels wants to outlaw tobacco advertising, tomorrow it could be fast cars, children's toys, pharmaceuticals or Black Forest gateaux.

For the moment, at least, it is likely that the Commission will be unable to persuade EU states to support its directive, as it has been since the directive was first out on the table

# Smoke gets in Europe's eyes

Diane Summers on divisions among EU health ministers and advertisers over tobacco products

Tobacco advertising in the EU: being stubbed out (TV advertising is barried throughout EU)

in 1991. Realising that agreement is unlikely, supporters of a ban will probably not push

for a vote today. In the past it has been Ger-many, Denmark, Holland, Greece and the UK which have Greece, under its new Socialist government, may have soft-ened its stance. But the four remaining opponents bave enough votes under the qualified majority voting system to continue blocking its progress

The position of the UK could prove pivotal. It has been the most vociferous opponent of an EU-wide han and it is widely thought that Denmark and the Netherlands would switch sides if the UK were to change its position.

So far the British have preferred a policy of a voluntary approach to restricting advertising and high taxes on tobacco products - the duty on tobacco was increased by 7 per cent in last mooth's Budget.

Tohacco advertisers in Europe believe they have won a reprieve - but no more. Privately, many in the advertising industry see public opinion forcing an end to tobacco advertising in Europe within three

An indication of the mounting pressure of public opinion is already being seen in the UK. The government is expected soon to announce it will be negotiating tighter "voluntary" controls with the tobacco and advertising industries. Options include an end to

**Tobacco products** are responsible for at least a quarter of all deaths in middle-age

poster advertising, a ban on tobacco advertisements in womens' magazines, removing sbopfront advertising, and larger health warnings on packs. Proposals along these lines could help to head off the threat of cross-party support growing for a private member's bill introduced by Labour MP Mr Kevin Barron which the government is highly likely to want to block. Such proposals

for ministers to offer at a European level as an alternative to the proposed ban.

The advertising sector

accepts that such a move in the UK could presage an eventual crumbling of UK resis-tance to a EU wide ban. And it is already preparing accordingly even though the European Commission calculates that tobacco advertising makes up less than 3 per cent of advertising for all goods and services in the 12 member states. For example, Mr Russell Gore-Andrews, chairman of More O'Ferrall, the hoardings company which has operations across Europe says: "The job of our marketing has been to broaden the base of customer demand in all our markets, so that we are not too dependent on one sector."

While there is clearly movement towards further restrictions in Europe, voluntary or otherwise, there is no definitive answer to one question which ought to be central. Does a ban on advertising cut the number of smokers? The Tobseco Advisory Council, the

UK trade body, says that the sole purpose of tobacco advertising is to promote competition and encourage existing smokers to switch brands. It estimates that the value of estimates that the value of business from smokers who switch is worth than a year. It decies that advertising encour-

ages smoking.
Not so, according to Dr Clive
Smee, the department of
health's chief economist. Last year he reported that studies of Canada, Finland, New Zealand and Norway, where tobacco advertising bans have been in operation, showed "a fail in smoking on a scale which can not reasonably be attributed to

other factors.

But his research appears to clash with a study by Michael Stewart, an econometrician, in the May edition of the Interna. tional Journal of Advertising. That showed a slight increase in smoking in those countries, where there has been a ban. A possible reason is that banning advertising also means no health warnings to put off smokers, except on packets.
This increase is not quite statistically significant, but clearly refutes the belief that advertising bans have appreciably reduced consumption,' concludes Mr Stewart.

As he points out, the space now devoted to the health warnings is the "equivalent of millions of Ecus of ongoing anti-smoking advertising" across Europe. If European ealth ministers decide that they want to impose a ban on advertisments, they may need to seek some alternative ways of funding those warnings.

But the niceties of this debate are unlikely to worry the tobacco companies. although they will continue to lobby vigorously against any measure which could affect know that tobacco consumption in western European mar-kets is dropping as concerns about the health effects spread and as smoking becomes less socially acceptable. The decline is not sharp - about 25 per cent in volume terms in EU countries over the past five way shows no sign of slowing.
In contrast, new markets are

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opening in Asia and the Pacific Rim; and in eastern Europe, where smoking is gaining in popularity and sales. In China, for example, cigarette sales grew from 1,649bn to 1,705bn in between 1991 and 1992.

With such virgin berilories to play for, the possibility of an ban on advertising in Europe may ultimately appear to be a a small distraction.

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#### LETTERS TO THE EDITOR

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#### Hub and spoke not to blame

From Mr Michael Mediicott. Sir, Your story, "Dinosaurs on the runway" (December 8), reported that US airlines are questioning whether the buband spoke coocept is valid any more, and that this system is one of the reasons blg carriers have incurred financial losses in contrast to small airlines which operate no-frills, sbuttle service between pairs of cities

and make money. This is not true at Delta Air Lines, originator of the hub-and-spoke system in aviation. Through the years we have continued to perfect the con-cept and today operate the most geographically balanced route network in the US. For Delta the hub-and-spoke system is the most efficient way of offering the most flights, to the most destinations, for our passengers and shippers, while maximising our assets. Last year, Delta was the only airline in tha world to operate more than 1m departures. Whila many of these flights operated to or from one of our bubs, wa have plenty of point-to-point flights where the market demands it, like the Delta Shuttle service between Washington, New York and Boston. The article stated that one of

the big disadvantages of the hub-and-spoke system was that staff were standing idle during non-peak times throughout the day. In our Atlanta hub, the world's largest, we operate more than 500 flight departures every day and, like our other hubs, it is staffed according to the demand. No Delta staff stand idle; they are among the most competitive and flexible in the world.

If there are dinosaurs, Delta is not one of them. Delta rel-Ishes change and that attitude will keep us around for a long time, providing value and superior service for our stockholders and passengers. Carri-ers in the US have lost money because of the recession, the Gulf War and the US bankruptcy law, not because of the hub-and-spoke system and small no frills airlines. Michael Medlicott, vice president - Europe Delta Air Lines,

Atlantic Region,

Tax credits hit service industry From Mr Michael Bracken. Sir, Martin Feldstein (Per-

sonal View, December 10) presented the opportunity to boost jobs at no cost through the use of investment tax credits (ITC). Basic economic theory should alert us to being offered a free lunch, and in this case some of the consequences of PTCs were not spelled out.

Broadly speaking, the "bene-fit" of an ITC is a tax incentive for tha companies making approved investments. The cost is higher taxation on all companies not making approved investments. Professor Feldstein suggests that approved investments would money spent on equipment

and possibly construction.

The government is in no position to be the best judge of whether to encourage expenditure by companies on investment as opposed to anything else, or an arbiter of which types of investment are better than others. Inevitably, ITC schemes have been used effectively to subsid ise manufacturing investment at the expense of service industry. Policymakers should resist the temptation to meddle further in the allocation of resources and concentrate on with reducing the distortions within the current taxation system Michael Bracken,

3 Princes Yard, Princedale Road. London W11 4PH

#### The route to a European constitution

From Prof Ernst Steindorff. Sir, Edward Mortimer's article on "A pill to best MF" (December 8) merits praise. He discusses the proposal for a European constitution elaborated by distinguished scholars and politicians. He mentions that this proposal is disapproved of from within the European Commission. We may suppose that the Commission envisages presenting its own draft for the 1996 discus-

sions on a Union constitution.
One of the reasons the Maastricht Treaty has encountered so much opposition in quite a number of countries may be found in the fact that it was influenced by the Commis-

sion's selfish interests to extend the jurisdiction and the powers of the EU and, hereby. its bureaucracy. Europe can flourish only under a constitution which makes citizens understand that specific responsibilities have been transferred to the Union, because united political action is necessary. Nobody would understand that powers and more and more financial resources are handed over to Brussels only in order that the Union and its institutions may

Such a constitution cannot or must not, be drafted by those who want to act for the Union and who may be eager | 81479 Munich, Germany

to have their own importance buttressed. Nor may it be cre-ated by those who, not unilke former central committees. claim the knowledge of what is good for Europe and its cifi-zens. That is why any serious proposal from outside the European institutions merits attention. There is a presur tion that it is dictated by less selfish bureaucratic intere and that it is more in accordance with the inte European citizens. Mr Mortimer, quite correctly, makes us aware of that. Ernst Steindorff, professor of law.

#### Fewer ITV channels bad for advertisers

From Mr Kenneth Miles. Sir, I am glad to be able to agree with one or two things in

Greg Dyke's letter (December 8), but I have to say that I disagree with rather more of it. Certainly, the TV airtime market is changing and, certainly, it is in everyone's interest, including the advertisers, that ITV remains a strong channel. No problems with

either of these statements.

However, I must take exception when he says that "advertisers already have real choice in the TV market". How can we say that a regional advertiser, or a company with regional hrands, has any choice at all? If Britain wants to encourage medium-sized companies to grow, then we must make it more possible for them to use television and the other dynamic media. These

markets, but they will not be able to buy television air time in a competitive market. For example, anyone who wants to advertise in Lancashire really has only one TV company available. If they want to advertise in Merseyside alone (or the Birmingham area alone, or south Yorkshire alone etc),

then their choice is even less. What advertisers need, therefore, is more commercial stations, offering increased regionality - not less. Mergers will do nothing for advertisers and I suspect they will do

nothing for viewers either.
For Greg Dyke to talk about "ITV's fragmented advertising" is really to put the cart before the horse. Where combined operation matters is in the programming, and the existence of the ITV Network Centre should have taken care of the companies will themselves all need to have a national plan-be operating in competitive for IPV programming. Adver-

an entirely different subject. While companies sometimes want to buy advertising on a national scale, more often they want to buy it regionally or with regional variations.

This is not "fragmented" but realistic" and "flexible". In other words, the sales arrange ments are organised to look after the needs of the customers - not to please the sellers. What Gree Dyke appears to want is a sales regime which

soits the ITV companies, the sellers, but is quite prepared to ignore and override the needs and wishes of the customers. Funnily enough, this is exactly how monopolies and cartels pormally behave. Kenneth Miles director general, incorporated Society of British 44 Hertford Street

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# How to build Euro-networks

Jacques Delors' plan for hig investments in trans-European net works provoked controversy at land Europe with a herd of white the weekend summit. Britain and Germany, in particular, do not like the idea of so-called Union bonds to finance infrastructure when member states are trying to curb budget deficits.

It is certainly possible to pick holes in Mr Delors' suggestions. The section of the Commission's white paper on this subject are poorly argued, repetitive and full of jargon. The bonds plan also sug-gests an effort by the Commission to outflank the European Investment Bank, which was asked by European leaders only a year ago to back infrastructure investment through increased lending.

But it would be wrong to dis miss ideas to develop trans-Euro-pean networks, which are vital to the success of the union. Euronean businesses and individuals pay a large price for the fragmentation of transport, telecommunications and energy systems.

No European can feel pleased at

the delays in air travel caused by incompatible and inadequate air traffic control systems. Nor is it acceptable that it costs three times more to make a phone call across national boundaries than it does inside them. Equally, British ministers should be ashamed that trains will creep to London when the Channel tunnel opens next year because a high-speed link on the British side has not been built.

Sharp perception

Mr Delors' sharp perception of sickness in the European body is not, however, matched by his remedies. The white paper rightly states that the bulk of funding for information networks will come from private sources. It points out, too, that in the transport and energy field - where public sector involvament will necessarily be greater - private investor interest needs to be encouraged. Yet it fails to resist the temptation to place exaggerated emphasis on a central role for the Commission and Council of Ministers in channelling Euro-cash to worthy pro-

Mr Delors also seems, at times, to think trans-European networks are inherently desirable, rather than proceeding from an analysis. of identified needs. Too much faith in vague concepts such as

The main reason for the fragmentation of Europe's networks is that the telecommunications, transport and energy industries are still mostly national public sector monopolies. Because they are national, they rarely look beyond their frontiers. Because they are public sector, they are strapped for cash when state bud gets are tight. Because they are monopolies, more efficient private enterprises are discouraged from providing the missing links.

The priority is to open up the provision of infrastructure to com-petition. This would provide extra sources of finance, while ensuring that investment responds to com-mercial needs rather than political fancies. The Commission acknowledges this, but its plans are too timid.

Cost-benefit analysis

It would, however, be naive to think that liberalisation can solve all the problems, especially in transport. Many rail and road pro jects, which are justified on a wider cost-benefit basis, are insufficiently profitable to attract private sector support. Since national budgets are under strain, innova-tive ways of marrying public and private finance are needed. Possible methods include franchising services, electronic road tolls and earmarked taxes (or even bond issues) for specific projects.

Trans-national coordination is sensible where the benefits of investment apill over from one country to another. It is, for example, hard to see how a single private enterprise could address Europe's air traffic problem, Modernisation of transport links between the European Union and the countries of central and eastern Europe will also require co-or-

The white paper pays lip service to the need to combat monopolisation and harness private finance, but it fails to state clearly that liberalisation and privatisation are being held up by powerful vested interests. Unless these can be overcome, with the aid of a vigorous campaign from the top, the plan for improved networks is unlikely to travel far from the drawing board.

# Trickery with capital gains

nothing to reduce the muddle that prevails over tha taxation of savings in Britain. Yet they did at least bring some sense to the limited area of capital gains. The alignment of capital gains tax with income tax rates removed distortions that arose from the natural desire of taxpayers to transform income into lower-taxed capital; and the introduction of indexation of gains and losses protected investors from a hidden and arbitrary inflation tax. The decision in the budget to scrap the indexation of capital losses is thus a retrograde step. The manner in which the change is being made has also given rise to justifiable irritation on the part of investors. In a move that has been pres-

ented in the budget as a tax avoidance measure, the Treasury is proposing to abolish the indexation of capital losses, while retaining the indexation of capital gains. The change is expected to raise an additional £300m by 1996-97, which may prove optimistic given that the entire yield from capital gains tax last year was put at a mere fibn. The one thing that is clear about this measure is that by removing the indexation of losses, and by doing it for transactions undertaken on or after budget day, the government will in some cases impose real capital gains tax rates of well over 40 per cent. The victims will not just be sophisticated tax avoiders. Ordinary investors, who have been running losses on individual shares in their portfolio on the reasonable assumption that they could be indexed and then off-set against past and future gains on other shares, will be hit. This is little different, in practice, from retrospective legislation.

Capital erosion

At a stroka, a fully transparent top capital gains tax rate of 40 per cent is heing replaced by an opaque and arbitrary rate which will depend on the composition of the taxpayer's portfollo. It will be theoretically possible for investors to suffer losses of real wealth as a result of partial de-indexation; and the risk of such capital erosion will become greater if higher rates of inflation come back. Many taxpayers will also have to re-work calculations of the base cost of

The tax reforms of the 1980s did their investments, going back to 1985 when the indexation of losses was first introduced.

These changes are technical and they affect only a small number of voters. Yet they are symptomatic of the way successive chancellors have abandoned all aspiration to continuity or principle in their approach to taxation. Mr Norman Lamont's introduction of a new 20 per cent income tax rate was a sad retreat from the earlier attempt by Nigel (now Lord) Lawson to sim plify the income tax and capital gains tax system. And his misleadingly presented raid on the pen sion funds was a notably unattrac tive retreat into fiscal opportunism. It undermined an entirely logical approach to the taxation of pensions. As with an expenditure tax, the tax bill on deferred income is not paid until savings are run down in retire

Retrospective penalty

Mr Kenneth Clarke can claim not unreasonably, that his priority in his first budget was to deal with the huge hole in the public finances. Yet it cannot be right to spring technical tax measures on the ordinary taxpayer under the guise of an anti-avoidance measure and in a way that make a nonsense of individuals' assumptions about how they should plan their lives. While it may be difficult to retreat from the principle of partial de-indexation announced in the Budget, Mr Clarke should think again about the retrospective penalty implicit in making the new rules epply from November 30th.

Meantime the review of the taxation of savings now being con-ducted by Mr Stephen Dorrell provides the Treasury with scope to redeem itself on the shape of the tax system. The financial secre-tary should seize the opportunity to put the case for an expenditure tax onto the policy aganda. Among the many advantages of an expenditure tax is that it works on the basis of cash flow. It thus does not have to confront the impossible task of distinguishing between capital and income. The need to index capital gains disap-pears. A neat way, in fact, for Mr Clarke to confound the critics who claim that economic sophistication is beyond our Ken.

can afford to smile today. His white paper on employ ment growth and competitiveness received a betterthan-expected reception at the European summit in Brussels, and

there was the added satisfaction of seeing off most of his critics, including Mr Kenneth Clarke, the UK

Here was a rare victory for the president of the European Commission after the setbacks of the past 18 months. Not for the first time, he carried the day with a combination of intellectual force and political cunning which papered over ideological divisions and produced a semblance of unity.

The test will come when EU leaders must deliver on the summit promise of an "action plan" which aims to strengthen Europe's declining competitiveness in relation to the US and Japan, while at the same time tackling the short-term unemployment crisis.

What is clear is that EU leaders no longer treat the white paper as an academic exercise. Last month, the number of people under 25 who were out of work in the EU reached 15.2 per cent, with 28 per cent in Ireland, 30 per cent in Italy, and 37 per cent in Spain. "There is the risk of a social explosion," edmitted a senior Brussels official.

A glimpse of the potential for unrest came on the first day of the summit when thousands of Belgian trade unionists marched in the streets in protest against the package of wage freezes and BF175hn (£1.39bn) of social security cuts put forward by the coalition government of Mr Jean-Luc Dehaene. Similar protests have taken place in

Italy and Spain.

The chief advantage of the white paper is that these fragile governments can use it as "political cover" for unpopular measures at home. Its central message is that, while there are no miracle cures, there is safety in a collective approach.

In fact, the white paper eschews Brussels-led legislation in favour of a menn of non-binding options which take into account each member state's national needs, all within a framework of measured labour market deregulation, macroeconomic stability and (relatively) modest spending on new infrastructure projects.

On this hands-off approach, a pre-viously hostile Mr Clarke declared on Saturday: "It is an impeccable Mr Delors's new lightness of

tonch marks a further evolution in his thinking, away from the centralising tendencies which marked his early years as Commission president and which lay behind the drive for a single European market by Lionel Barber examines the reception given Mr Jacques Delors' white paper at the European Union summit

# A new lightness to his touch

It also signals a shift towards the right in the debate over what might be called the future economic philosophy of the European Union. This debate pits the Anglo-Saxon model of labour market deregulation, wage restraint and curbs on trade union power against the more consensual model of social partnership which has underpinned the post-second world war economic order in Europe, but which is now under increasing strain. By endorsing the white paper, EU

heads of government have signalled a decisive tilt in favour of deregulation, toward the arguments which European industrialists have been putting forward with increasing firmness in recent weeks.

Thus summit leaders endorsed a lifting of restrictions on hiring and firing of workers. They recognised that wages for non-skilled workers must fall and they conceded that employers' social security contributions must be reduced in order to increase the ettractiveness of hiring labour.

Two summit incidents point to a shift in attitudes. When Greek ministers complained about wage restraint, they found themselves under attack from the British. Dutch, Germans and no lesser figure than Mr Felipe González, the Spanish prime minister and one of Europe's leading socialists.

The second occurred in Mr Delors' own remarks, in which he noted the compatibility between the contents of the white paper and Beating the Crisis, the paper on competitivness put out by the European Round Table, the forum for leading industrialists. The white paper is somewhat to

the right of what Detors actually believes," said one aide, "but he realised that he had to make the shift in order to win support from Yet it would be a mistake to

assume the Commission president has compromised on his core views. In the new age, he wants the right to permanent re-training and education to be universel; and he demands "solidarity" with the 40m people living in poverty in Europe. As he said before the summit: can change my opinions, but I will not change my principles."



Jacques Detors: a rare victory after a very difficult 18 months

This partly forms the background to the most divisive arguments on the white paper, his proposal for horrowing up to Ecu20bn (£15.06bn) a year to help to fund trans-European transport and energy networks costing some Ecu250bn by the year 2000; another proposal for "information highways" for tele-coms, priced et Ecul50bn; and one for Ecul74bn worth of environmental projects.

In the Commission's view, the private sector alone cannot cover highrisk, high-cost projects such as the high-speed train between Lyon and Turin: nor can the European invest-

ment Bank, without a likely increase in its capital base. Hence the plan to raise Ecu8hn a year through "Union bonds", to be issued by the EU ltself, with the EIB as agent.

The Delors proposal was an attempt to play on the heads of governments' inclination to oller a sweetener to the hitter medicine elsewhere on offer. Ever resourceful, he avoided following his French socialist colleagues calls for Community loans to create a New Dealtype public works programme for Europe. Instead he based his arguments on the Maastricht treaty's explicit provisions for trans-European networks hased on the need to improve European competitiveness.

The argument that the development of trans-European networks ment of trans-European networks has nothing to do with the white paper's goal of creating 15m new jobs by the year 2000 did not fool EU finance ministers, led hy Mr Clarke and Mr Theo Waigel, his German colleegue. Peeved at not being able to "fillet" the Delors paper themselves, the finance min-isters complained, too, that the proposals for more EU-wide public borrowing ran counter to national efforts to curh budget deficits.

Some summit observers identified a "power-grab" by the Commission at the expense of the EIB, which is often criticised for heing too slow on approving funding for major infrastructure projects. "Delors is trying to create a new investment bank in Brussels," said one European treasury official.

he compromise was to set up two groups drawn from national governments and industry to study trans-European network projects as well as the new information technologies, while remitting final decisions to the ministers of finance. "All these projects of Mr Delors are a dead issue," said e German official.

This judgment may be just as premature as the political obituries which were written for Mr Delors just over a year ago, before his native France voted narrowly in favour of the Maastricht treaty which he had defended. However much he may give the impression of carrying Europe's woes on his shoulders, he remains as inventive as ever in spotting the political trends of the future. The question is whether, having

unburdened himself of his magnum opus, it is now time to depart the Brussels stage, either to enter the campaign for the French presidency in 1995 or to take time off for the intellectual pursuits which he claims he misses

On Saturday afternoon, Mr Delors betreyed irritation when asked whether the white paper was his "swan-song". If that was the case, he would have left long ago, he

inside the Commission, however, there is e distinct fin de siecle atmo-sphere. Mr Delors' authority is no tonger what it was. With his final two-year term expiring in a year, successors are dusting off their credentials, including Sir Leon Brittan, the EU trade commissioner, who could be on the verge of clinching a Gatt world trade deal.

The Brussels summit showed that Mr Delors has lost little of his prize fighters instincts; but like all heavyweight champions he now must

# Battle royal looms on health care

o anybody unfamiliar with "health plans," Washington ways, it must seem baffling. In September, the Clintons finally launched their long-awaited healthcare plan. They were treated to standing ovations on Capitol Hill and rave reviews in the press.

And then? An embarrassed silence. As analysts waded through the 1.400 pages of text, doubts began to multiply. So did alternative proposals. To Mr Clinton's chagrin, many moderate Democrats (including the reformist Democratic Leadership Council) are backing a rival plan tabled by Mr Jim Cooper, e Democrat from Tennessee. Republicans, meanwhile, have put forward at least three different "market-oriented" proposals, based on the prescriptions of competing conservative think tanks.

Some of the deepest misgivings concern the role of the proposed "health alliances" or regional purchasing co-operatives. The idea is that everybody living in a certain area (except employees of very large companies) would have to huy healthcare through one of these intermediaries. The alliance would collect premiums from companies and individuals and use its market clout to strike advantageous deals with competing private sector

If the alliances simply listed available health plans and acted as e clearing house for premiums, they might not be feared. But under the Clinton plan, these public or quasi public bodies would be local regulators of healthcare. They would be able to ban health plans regarded as too costly, set fee schedules for doctors and impose caps on the growth of insurance premiums.

To many Americans, this seems suspiciously like socialised medicine by stealth. Take the Washington DC area. Affluent K Street lawyers would not be amused to find themselves in the same health alliance as welfare mothers, especially as such an alliance would be a monopoly with vastly greater financial muscle than local doctors or hospitals. Whatever the Clintons say, people fear the alliances would give local bureaucrats too much

Controversy is also raging over the proposed "employer mandate" -the requirement that employers pay at least 80 per cent of the cost of e standard package of henefits for employees. The Cooper plan and the Republican alternatives are united in opposing such mandates.

The White House wants to make employers pay because most of the



**AMERICA** 

hig increase in health spending would then be "off-hudget". Yet nobody is fooled: the mandate is e tax by another name and would tend to price workers out of jobs. When the principal goal of Clinton's economic strategy is to create jobs, it seems foolish to increase taxes on employers. A Heath-Rohinson system of subsidies would lessen the hurden on small companies, hut only at the expense of seriously distorting labour markets. Then there is the question of cost.

The US already spends 14 per cent of gross domestic product on healthcare, against an average of 7.9 per cent in other industrial countries. Given his rhetoric about the eco-

nomic strains imposed by galloping minimum benefits. If health allihealthcare costs, you might have ances survive, they will probably thought Mr Clinton would be trying to reduce spending as a share of GDP or at the very least prevent any further rise. By no means. The White House envisages the share of healthcare rising to a mind-boggling 17.5 per cent of GDP. Tha muchtrumpeted "savings" are produced by an old Washington trick: com-paring the reforms to "baseline" projections showing spending soaring to nearly 19 per cent of GDP. Providing bealth cover for the

37m without insurance will be costly. But Mr Clinton did not have to aggravate metters by promising everybody e package of benefits at least equivalent to those offered by Fortune 500 companies. Nor did he have to propose new benefits, for example for mental health and longterm care, that go beyond anything offered in the private sector. The Clintons deserve credit for

bringing healthcare to the ceotre of the political stage. Few legislators doubt that reforms will be enacted next year. But the Clinton plan is increasingly seen as a starting point for detailed debate rather than a blueprint to be rigidly followed. Given the concern about costs,

congressional leaders are likely to insist on a less generous package of

assume a less threatening form. Legislators, for example, could insist on a choice of at least two alliances in each area. They could allow smaller companies to opt out of alliances, say those with more than 200 employees retber than 5,000 as specified in the Clinton plan. And they could limit the power of alliances to regulate premlums or exclude health plans. Such amendments would create a purer form of managed competition. As for the employer mandate, many Republicans are urging Mr

Clinton to place the obligation to huy insurance where it belongs on individuals. But while smoothly articulating the logic of an individ-ual mandate, few are willing to countenance the level of personal subsidies (and hence new taxes) needed to make such a law credible. Mr Cooper, supported by libertari-ans, rejects any kind of mandate, arguing the goal should he universal access to care, not universal coverage. The Clintons, however, adamantly oppose such backsliding; their bottom line is "healthcare that can never be taken away". Forget skirmishes like Nafta and the hudget next year Bill and Hillary will be fighting the battle of their lives.

The latest in a long line of former

"terrorists" to win recognition as a world statesman, Arafat is the

Hurd's lunch guest on Wednesday. The party continues with a

10 Downing Street - which, under Margaret Thatcher, remained firmly

UK foreign secretary Douglas

meeting with John Major at No

closed not only to him but to his

handshakes follow, with John

Smith, Labour leader, and the Archbishops of Canterbury and

concerns - as usual - Lady

But the biggest surprise of all

Thatcher. When the Palestinian

Liberation Organisation's man in

London, Afif Safieh, asked if his

It would be more appropriate,

she said, for her to call on him,

at his hotel. Which she is doing.

Newmarket lad

boss could call on her the reply

was positively gracious.

representatives. Further

Westminster.

# Observer

#### Getting down to business

■ Thank you Jecques Attali! If the ex-boss of the European Bank for Reconstruction and Development had not enjoyed the good life so much, then his colleagues at higger multinational institutions might still be enjoying one of the best perks of their job - first class air travel.

The International Monetary Fund and World Bank have decided that their staffs will have to give up flying first class and make do with business class. To prevent mutiny in the ranks, the executive directors, who represent member countries, will also be downgraded to business class.

There are, of course, exceptions. The World Bank exempts only its president, Lewis Preston, who is tall enough to need the extra legroom. At the IMF, however, Michel Camdessus, the managing director, and his department heads will still be allowed to travel first class.

So why did they do it? Preston and Camdessus are anxious not to be tarred with the same brush that swept Attali from office. "I think they both got fed up with it being the first subject that came up in any conversation," moans

one ex-first class flyer.

Huw's next

■ The loss of all those first class air miles is especially hard luck for Huw Evans, the affable 52-year-old deputy secretary for overseas finance at Her Majesty's Treasury. He takes over as UK executive director at the IMF and World Bank next February, replacing David Peretz.

Evans was in the European Commission for six months in the early 1970s, and was the Hong Kong government's assistant economic secretary between 1973 and 1975. As under-secretary in the Treasury's overseas finance division, he was responsible for IMF and World Bank affairs in the late 1980s.

But his real claim to fame dates back to his time as head of the Treasury's forecasting and analysis division between 1980 and 1986. He won the "golden guru" award for sound economic forecasting - a plaudit that has eluded the Treasury in more recent years.

Blair blather

■ When is an agreement not an agreement? When France and the US sit across a negotiating table,



'Hand over your electronic cash'

if the Rlair House shenanigans are anything to go by. In American eyes, the agreement drawn up together with the

European Commission in November 1992 could in no circumstances be renegotiated because they themselves had ruled that out from

The French position, on the other hand, was that last year's talks had not resulted in an agreement in the first place, only a "préaccord". Hence the inadequacy of a mere "clarification" from their point of view.

But last week's Le Monde turned linguistic obfuscation into an art form with its "reprofilage [sic] du non-French speakers may marvel et the semantic sleight of hand.

Chocolate trifle ■ Tut, tut. When The Times asked

Sir Adrian Cadbury, ex-chairman of Cadbury Schweppes and Britain's "Mr Corporate Governance", to take part in its series on "My Perfect Weekend", the industrialist made no bones about who would be his least welcome guest -Patience Wheatcroft, a city journalist who penned a not particularly flattering portrait of the great man a few months ago.

But when asked who would be his perfect companion, all Sir Adrian would say was that he was open to offers". Presumably out of date now, given that The Times carried the announcement of Sir Adrian's engagement to Susan Sinclair a week before.

Shaloms all round ■ What e difference a handshake can make. From being the West's pet pariah, Yassir Arafat is now getting the red carpet treatment

in London this week.

A small ad, tucked away in last Saturday's FT, gave a fresh insight into the high price of unemployment. Entrepreneur (excellent references) requires role in Technology business development. Simply inform me of a vacancy and receive £3,000 when I'm appointed, 4 Lowther



# FINANCIAL TIMES

Monday December 13 1993



European ministers begin work on 'action plan' for growth

# Delors hails 'relaunch' of EU

By Lionel Barber and Andrew Hill

More than 60 European government ministers arrive in Brussels today to begin enacting ambltious plans for reviving employment and growth in the European Union and to resolve internal differences over trade.

The plans were agreed at the Brussels summit which ended on Saturday with a semblance of polltical unity and praise for Mr Jacques Delors, president of the European Commission

Leaders adopted Mr Delors' white paper on competitiveness, "action plan" to pull Europe out

By Philip Stephens in London

Mr John Major, the UK prime

minister, faced conflicting pres-

sures from the Dublin govern-

meot and the Ulster Unionists

last night as the weekend murder

by the IRA of two Northern

Ireland policemen cast a shadow

over the Anglo-Irish peace initia-

Mr Albert Reynolds, the Irish

prime minister, said that after

their Brussels meeting he had

agreed with Mr Major some "70

per cent" of the proposed joint statement which they hope may

persuade the IRA to end its cam-

paign of violence. That raised expectations that the two leaders

could meet again this week to

Officials from both govern-

ments worked through the week-

end on the text, and Mr Major

and Mr Reynolds plan to speak

on the phone later today to

As Mr Major consulted cablnet

colleagues ou the form of the dec-

laration, Downlng Street still

clear the remaining obstacles.

and Tim Coone in Dublin

of recession and tackle unem-

But the summit was overshadowed by disputes over how to meet French and Portuguese objections to a Gatt world trade deal under negotiation in Geneva. Foreign ministers hope to settle these matters at a meeting today in Brussels.

Mr Delors said the summit pro-

vided a "relaunch" of the Union's credibility and self-confidence similar to the spirit of the single market programme of the 1980s.

Conflicting pressures pose

mas accord

threat to Ulster peace pact

appeared hopeful of a pre-Christ-

But the Irish prime minister

gave a warning that he would not

sign an anodyne declaration

offering no reasonable prospect

the prospects for a substantive

statement, Mr Reynolds said

guarantees for the Protestant

majority in Northern Ireland had

to be balanced with recognition

of the nationalist aspirations of a

The key differences now centre

on self-determination and on

Duhlin's proposal for an all-

Ireland convention involving all

political parties, north and south. Mr Reynolds signalled in Brus-

sels that he could accept a state-

ment that did not explicitly

endorse the "value" of eventual

Irish unity. But Duhlin's accep-tance of a Unionist veto over any

change in the status of Ulster

had to be set in the wider context

lrish government officials reaf-firmed yesterday that Mr Reyn-

olds "will not sign a statement

of Irish self-determination.

large minority in Ulster.

Amid pessimism in Duhlin on

of a permanent end to violence.

EU heads of government have tilted in favour of deregulation, towards the recent viewpoints of European industrialists. The white paper eschews Brussels-led legislation in favour of a transport, energy and telecommenu of non-hinding options munications. which take into account each The summit blunted European

guidelines for the next phase of

economic and monetary union to

EU leaders have charged

finance ministers with assessing

how to raise EcuSbn (\$9hn) a year

of additional finance to fund

trans-European networks in

that will not achieve the result of

a cessation of violence". If agree-

ment could not be reached, a pre-

Christmas summit was unlikely.

Two leading members of the

Ulster Unionist party directed

hlunt warnings at Mr Major and

Mr John Taylor said any move

towards a united Ireland would

prompt his party to threaten the

government's majority at West-

minster hy opposing it in any

Reynolds, hy taking on the

Hume-Adams proposals, was talking about "surrender by

stages" to the IRA. in particular,

he ruled out the possibility of

agreeing to a peace conterence of

Northern Ireland. He flatly

rejected making any concession

to Mr Reynolds' proposals.

The peace initiative was over-

shadowed by the shooting of two

police officers by IRA gunmen at

Saturday. Several people were

arrested and were being ques-

ivemiletown in Fermanagh on

Mr David Trimble said Mr

Mr Reynolds.

vote of confidence.

begin on January 1.

Commission hopes of being given member state's national needs, all within a framework of meathe go-ahead to raise the money sured labour market deregulathrough an issue of "Union bonds". But Commission officials said the broad principle of spend-ing on infrastructure had been tion, macro-economic stability and spending on infrastructure.
Today, EU finance ministers will begin discussing the techni-cal aspects of the "action plan". endorsed by all 12 member states, including Germany and the UK. in particular the macroeconomic

EU leaders also agreed to hold a special meeting of foreign ministers on December 22 at which to put pressure on the warring parties in former Yugoslavia.

> Editorial Comment, Page 21 Delors' light touch, Page 21

#### EU and US accused of delaying Gatt

the key stumhling hlock. "We have made tremendous progress over the day on every issue except one," Mr Kantor said, "We have not made progress in discussing the entertainment industry issue.

At the EU summit in Brussels which concluded on Saturday, Mr Ruud Luhbers, the Dutch prime minister, said it might be neces-sary to "stop the clock" on the Wednesday midnight deadline for concluding the Uruguay Round. That followed adoption of a hardened EU position on audiovisual trade, textiles and demands by France and several other member states for tougher trade weapons. in Geneva, Mr Sutherland dismissed the possibility of changing the deadline as "a misappre-

hension of the highest order". Senior French officials believe the summit guidelines to EU negotiators to secure special and separate treatment for European cinema and hroadcasting "hoth now and in the future," should he sufficient for the French government to get a Gatt deal through a National Assembly vote.

EU negotiators are forced to make fresh compromises was unclear last night, however.

# Summit reports, Pages 2 and 3

Continued from Page 1

How that view might change if

#### THE LEX COLUMN

# Price is Paramount

Now that QVC has managed to get on to equal terms with Viacom through the courts, the struggle for Paramount is in the end game. In what is effectively an auction, the battle will turn purely on the level of the bids and the mix of cash and shares offered by each side. Yet spotting who is prepared to pay the most is impossible at present. Both sides are financially strong and have star-struck hackers. Mr Barry Diller at QVC and Mr Sumner Redted and will be loath to flinch now. That suggests the bidding will go much higher, despite the giddy price already being asked for Paramount's

It is hardly reassuring that the deals are based on the kind of 'vision thing' which can so easily lead companies astray. The vertical integration of programme production with distribution channels is at least questionable. True, it has formed the basis of Hollywood's historical success. But owners of the much-touted information superhighways will need to pump as much programming from as wide a range of sources as possible to make use of their systems. Equally, programmes will need to be sold through several

channels to justify production costs. A more complex weh may thus ulti-mately emerge. This phase of the revolution is primarily defensive, since distributors feel that they will he stronger if they own at least some of the programming. Mr Rupert Murdoch's early and economical purchases of Fox. BSkyB and Star thus look astute. But the risks to later entrants could prove serious.

#### Standard Chartered

The rapid rise of Standard Chartered's shares, which have more than doubled this year, prompts a second look at the fundamentals. Part of the increase can be explained by the fact that Standard is a much more direct reflection of the Hong Kong economy than HSBC since the latter bought Midland. Its shares thus tend to track the Hang Seng index more closely. And earnings look likely to hounce strongly over the next couple of years. But it would he rash to rely too heavily on the third factor underpinning the shares: the prospect of lavish dividend growth implicit in a yield of

little more than 2 per cent. Standard's dividend, which was cut to 20p from 35p in 1990, costs less than £50m. The bank's tax rate is likely to fall as the Bombay provisions, which

Standard Chartered FT-A Banks Index

were not deductible, drop away. Together with huoyant earnings in Hongkong, that should ensure that the dividend is covered as much as four times this year. Standard could afford a striking increase in its payout and still retain the hulk of its earnings to fund future expansion. Bulls argue that the case has become even stronger after last week's preference share issue brought its tier one capital ratio close to 6 per cent.
Yet the mere fact that the bank is

prepared to raise expensive capital in this way is an indication of its need for capital strength. Not only must Standard satisfy growing loan demand in Asia, where most of its profits are generated, it also requires an ample cushion to absorb the occasional accident that is bound to strike an institution with such extensive operations in

developing countries.

Different arguments apply to domes tic UK banks whose profits are also rising as provisions fall. With loan demand sluggish, they may not need much extra capital. Their generosity to shareholders may be correspondingly greater.

Coats Viyella

Recent trading worries from Dawson International and Courtaulds Textiles have worn a hole in the textiles sector which has dropped 10 per cent relative to the market over the past six weeks. Both companies have bad particular operational problems. But there also appears to have been a general cloth-ing sales glitch in the UK as consumer nerves frayed ahead of the Budget. Groggy markets in mainland Europe have hardly helped.

Surprisingly perhaps, the sector's higgest stock. Coats Viyella, has held up reasonably well, even though a

recent enhanced scrlp divideod flooded the market with more shares. Coats is clearly not immune to the general forces affecting textiles and will be vulnerable to any trading wobbles in the UK, from where it derives 40 per cent of profits. Coats' husiness in mainland Europe, accounting for a further one-fifth of income, will also be hard hit.

Yet Coats boasts greater defensive strengths than other UK textile companies with a differing product and retail mix. Coats' thread sales should prove more resilient than those derived from garments. It is also capa ble of generating internal gains through integrating Tootal. An increasing exposure to india, Cbina and Russia adds a dash of long term growth appeal, while its stock market reputation is still benefiting from the strides it has taken in improving stra-tegic clarity and financial respectabillty. Such factors should ensure Coats' shares are not badly unpicked so long as it sticks to its knitting while reces sion lingers.

Germany

Since the Bundesbank looks likely to overshoot its money supply target for the third time in a row in 1993, it will doubtless take care to ensure that next year's target - to be announced on Thursday - is one it can actually achieve. That argues for at most a marginal tightening of the existing 4.5 to 6.5 per cent range, even though inflation has slowed and a fall in investment has limited the economy's productive potential. The Bundesbank has some room to juggle the numbers which go into the target. It is unlikely to deviate from its medium-term infla tion target of 2 per cent, hut enjoys discretion in the extent to which it allows for a slowdown in velocity.

Bonds might rally but the equity market would almost certainly react badly if the bank decided to shave more than half a point off the target range. A cut of up to that amount would do little to alter the pace of interest rate cuts. At least the bank should find it easier to control M3 next year. There should be no repeat of this year's ERM crises, while lower short-term interest rates should encourage investors to move further out along the yield curve. But being within the target may not in itself mean much. There have been seven years since 1985 in which the aggregate overshot, in four of them, the bank cut official rates just the same.

# Top telecom groups compete for European network deal

**By Andrew AdonIs** 

Five leading international telecommunications operators are to be invited to hid against each other for one of the largest service contracts ever awarded in

Eighteen blue-chip companies have formed an association to handle the contract, which is to supply a private "voice" network linking the west European offices of the participating companies. The five operators to he

approached are British Telecom-munications; AT&T of the US; Sprint, a rival US carrier; Eunetcom, an alliance of the French and Geroan state operators; and Unisource, an alliance of the Swedish, Dutch and Swiss state

operators. According to the FT's Telecoms Markets newsletter, companies in the user association are reported to include Rank Xerox, ICI, Du Pont, Philips and Shell. More than 30 companies are expected to be included by 1994.

Most of the companies have private networks linking their offices, but they expect the new arrangement will allow them to make hig savings hy creating a single pan-European network.

Laws protecting the monopo-lies of continental operators mean the companies will not he able to use the new network to communicate with each other. All "voice" telecoms contact

between them will have to use the public networks until the European Union's liheralisation programme extends competition to basic "voice" services. That

FT WEATHER GUIDE

will not be until 1998. However, the contract reflects the degree of competition already permitted and the readiness of multinationals to exploit it to the full. It will also intensify competition between rival alliances of telecoms operators formed to bid for such contracts.

Last week France Télécom and Deutsche Telekom launched an Eculhn (\$1.14hn) joint venture to hoost their Eunetcom alliance, and two weeks ago Unisource recruited the Spanish state operator as an associate member.

# Russian voters

Continued from Page 1

benches while a future government struggles with the eco-

sian republic of Chechnya took Tatarstan, the major autonomous republic in the heart of Russia, less than 10 per cent of the popufurther battle over its own "sovrefused to give up.

# back Yeltsin

As expected, the north Cauca-

no part in the elections - and in lation appeared to have registered any vote, calling into question its adherence to the constitution and foreshadowing a ereign" status, which it has

#### Europe today

An area of rain associated with a depression over the UK will cover most of western Europe. The rain will be mixed with snow in northern parts of the Low Countries, northern Germany and the northern British highlands. Over eastern Germany and Poland, the rain will turn into snow during the day. Damp, cold winds will freshen to near gale or gale force in coastal parts of France and the south-western UK. Wintry conditions in northern Europe will begin to spread into the south. Clouds and snow showers will cover large parts of Scandinavia, but sunny periods will prevail in Sweden and central Norway. Unsettled conditions will cover the south-eastern Mediterranean, with some snow in the Turkish. mountains.

#### **Five-day forecast**

On Tuesday, winlry conditions will spread over the Low Countnes, northern Germany and Poland as a strong depression moves over Germany. It will become unsettled from

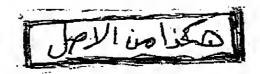
A surge of inilder air will push the coldest conditions to easiern and northern Europe. However, wintry showers will affect western In southern Europe, it will be partly cloudy to sunny with showers

**TODAY'S TEMPERATURES** Marta Manchester Marita Molbourne Mealco City Milani Montroal O Moscow S Munich Nalrobi Naples Nassau Z New York Nice 15 Nicesia 7 Oslo 6 Parts 9 Perth 18 Pague 11 Rangoor 18 Rangoor 18 Reyljav/ rain
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# **FINANCIAL TIMES COMPANIES & MARKETS**

23

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OTHE FINANCIAL TIMES LIMITED 1991

#### William Hill debt refinance extended

By Maggie Urry in London

A meeting of the Brent Walker banks has given Standard Chartered and Lloyds Bank more time to complete the refinancing of William Hill's 2370m (\$551m) of debt.

The lead banks have repeat edly missed deadlines to agree a refinancing of the loans which are due for repayment on March 1. They are said to he still a long way short of

raising the money. However, one hardened follower of the Brent Walker saga noted that the banks had never met a deadline in the three years since the leisure and property group began talks with banks about a refinancing of the group.

Lenders to Brent Walker

fear that if William Hill were sold, the parent company's future would be bleak. Brent Walker's refinancing, finalised in March 1992, was based on the retention of two cash-generating businesses, the Pub-master pub chain and the betting shops. Disposals of other activities have been slow to materialise.

The Brent Walker board is believed to be anxions to retain William Hill rather than be forced by a failure to refinance into a float or sale of. the betting shop business,

Meanwhile, the merchant banks appointed in August to sponsor a possible flotation of William Hill have been unable to begin the pre-marketing process considered essential.

It is understood that advisers, who had earlier said a decision on the float was necessary by the end of Neventber, have now said it could be achieved if they got the go-sheed at the beginning of

The William Hill syndicate is in a strong position to demand repayment since the ss is worth considerably more than the debt.

Either a float, estimated to raise over £500m, or a trade sale for the £470m offered by a group of venture capitalists, would comfortably repay the

While the William Hill lenders could be persuaded to wait a few weeks for repayment, that deadline cannot slip far beyond the beginning of

# Banks criticise new Basle committee plan

By John Gapper, Banking Editor

Leading banks have stepped up their criticism of proposals from the Basic-based commit-tee of international regulators to make them set aside additional capital to cover risks in foreign exchange, securities and derivatives trading.

A report from the Institute of International Finance, the Washington-based group representing 175 international hanks, said the proposals

ben Electrolux of Sweden paid DMB0m (\$47.3m) last year for

a 10 per cent stake in AEG Hausgerate, the housebold appliances unit of Germany's

struggling AEG industrial

group, it set a poser for observers of the industry and rival

Was the purchase hy

Europe's largest producer of whita goods - washing

machines, dishwashers, refrig-

erators and cookers - a pre-

lude to a full takeover of the

Or was it simply designed to cement a limited co-operation

in manufacturing and product

development while preserving

the German company's inde-

Whatever the original inten-tions, Electrolux was last week

offered the opportunity to buy

the remaining 90 per cent of

AEG Hausgeräte, as AEG, part

of Daimler-Benz, launched a

radical shake up. Less than 18 months after the original deal, a full take

over looks to be programmed into the Swedish multi-nation-

If a deal is agreed, analysts

believe it could cost Electrolux

a further DM800m. The merger would be the most important

takeover in the European

appliances industry since

Michigan-based Whirlpool com-

pleted the two-step, \$1.1bn pur-

chase of Philips' large domestic

appliances business in 1991. In white goods alone, a take-

over would enable Electrolux

to challenge Whirlpool, its

most powerful rival, for the

title of world's largest pro-

al's wash cycle. .

AEG unit?

pendence?

pare banks' financial sound-

It is the strongest criticism of the proposals on market, foreign exchange and interest risk which the Basle committee put forward this year to comple-ment capital adequacy rules

Produced by a group includ-ing several banks most heavily involved in securities and derivatives trading, the report savs a "significant weakness" of the proposals is that they

A chance to clean up in

European white goods

Whirlpool's sales last year,

excluding financial services, were \$7.1bn, identical to the

combined white goods sales for

Whirlpool, bowever, pro-duces only white goods, and if appliances such as vacuum

cleaners are included, the com-

bined Electrolux-AEG group

would be comfortably the

world's biggest appliances pro-ducer with pro-forms sales of

lectrolux would also

extend its leadership in

goods market, with a share of

as much as 30 per cent, against

15-19 per cent for Bosch-Sie-

mens of Germany, 11-15 per

cent for Whirlpool Europe and

10 per cent for Merioni of Italy.

shares and companies of this

size is due in large part to the

rationalisation of the white

goods industry over the past 20

In 1970, 400 companies had 80 per cent of the European mar-ket, but soon only six or eight

will control 80 per cent, Mr Vit-

torio Merloni, chairman of the

Italian producer, said earlier

The inexorable concentration

of the industry has been driven

hy the need for global or pan-

European manufacturing effi-

This "behind-the-scenes"

rationalisation in humdrum

areas such as component sour-

cing gradually frees companies

ticated brand strategies, and to

spread the beavy cost of prod-

uct development over a wider

to spend more on their sophis-

this year.

sales base.

The development of market

the European white

Electrolux and AEG.

\$9.2bn last year.

the capital adequacy frame-

Under this framework, banks must bold capital equivalent to 8 per cent of their assets weighted by credit risk. But the new Basie risk proposals could vary this figure depend-ing on an individual hank's

exposures in areas such as foreign exchange and derivatives. The report suggests this problem could be eased either by banks disclosing the capital they must hold for each risk.

Andrew Baxter and Christopher Brown-Humes on the Electrolux-AEG deal

able benefits from a deal with

AEG, in areas such as purchas-

ing, research and development,

Electrolux will be able to sup-

ply AEG with compressors, for example, or motor fan units for

vacuum cleaners, hotb of

which the German group cur-

rently buys in. But the benefits

of a takeover would go a long way beyond manufacturing

The big players in the Euro-

pean white goods husiness

each have two or three pan-Eu-ropean brands pitched at dif-

ferent types of consumers, and

regional or national brands

Electrolux would be adding a

third pan-European brand.

AEG, to complement its Electrolux and Zanussi brands,

While all three are well-known

names across Europe, AEG is

strongest in Germany and

neighbouring countries, Elec-

trolux in northern Europe and

n particular, the deal

would give Electrolux an

unrepeatable chance to

boost its market share in Ger-

many, one of Europe's hig four

markets along with the UK,

France and Italy, to around 35

Electrolux has about 20 per

cent of the German market.

but the majority of its sales are

through Quelle, the big mail order company. Owning the AEG hrand, along with the

recently revamped Electrolux

brand, ought to make it a

much more powerful chal-

lenger to Bosch-Slemens, the

per cent.

market leader.

Zanussi in southern Europe.

and distribution.

where appropriate.

logistics and warehousing.

or by market risk capital requirements being converted to the same formula as that for credit risk so a single capital adequacy figure is retained.

The report says a number of changes are needed to satisfy the aim of establishing a level playing field for banks trading in securities, derivatives and foreign exchange: Banks with better risk man-

agement systems than that proposed by the Basle committee should not have to operate  Banking cooglomerates already covered by market risk should be allowed to consolidate risks and capital requirements across their trading entiries

 Banks should not have to report daily to supervisors on their risk exposures and capital position. • Financial options should

oot be weighted by risk purely according to changes in the price of the underlying asset. Banks should not have to set aside capital to cover inter-

⊢\$7.1

51.5 - 59.2

tegically correct in the

And even though the AEG

unit was profitable last year, it

Electrolux than as part of a

company grappling with big

goods market share of about 6

per cent, AEG could easily

have found Itself caught

uncomfortably in the middle of

between the increasingly pow-

erful hig boys and the many

remaining niche players.

polarising industry -

With a European white

losses in other husinesses.

long-term.

Impact of potential Electrolux-AEG merger

White goods market shares in western Europe

Global white goods sales 1992 (Shri)

Electrolux (75%) of appliance salesi

ABG Hausgerate (85% of total sales)

Global appliance sales 1992 (Spn)

Clearly, Electrolux can make

a lot more of the manufactur-

ing and marketing synergies

through a full takeover of AEG

Hausgeräte than if it was to retain a 10 per cent stake - it

has an option to acquire

another 10 per cent, but that

will probably be subsumed in

As Mr Anders Scharp, Elec-

trolux chief executive, said:

"Considering the possible syn-

ergies between Electrolux and

AEG, as well as AEG's very

strong position on many mar-

kets in the middle of Europe,

wa view an acquisition as stra-

the wider deal.

Whitlesof Corporation Encluding Financial services:

Mr John Haseltine, the insti-

tute's deputy managing director, said banks wanted to avoid having to duplicate risk management systems, which would place them at a cost disadvantage to securities houses or unregulated non-financial institutions.

The Basle proposals coincide with growing concern among bank regulators over the poteotial risks in derivatives trad-

#### Starting on page 27

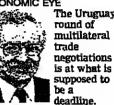
The Markets

PETER MARTIN



financial markets has rarely been less certain. Will 1994 see a brisk recovery in eastern

#### MARTIN WOLF:



deadlines are the sole

#### Bonds:

How vulnerable would the US corporate junk bond market be to the sort of draught that would hit the financial markets from a jump in short-term interest rates? Page 28

#### Equities: The prolonged squeeze on positions at big marketmaking houses

Page 29 Emerging markets: Istanbul has outperformed most emerging markets, but only if government

A second is the way its 400

He said Allied Dunbar had cials over the summer a sepaof low commission, and this did not form part of the cur-

Have Elonex come up with a truly

## Probe may change life insurance

tax affairs

The UK life insurance industry may be forced to change the way it handles its tax affairs following a prohe into the affairs of one of the largest companies in the sector. Allied Dunbar, a subsidiary

of BAT, confirmed yesterday that it was to present up to 20 separate reports to the Inland Revenue's Inquiry Branch at the end of January on a range of internal tax matters.

Since the Revenne approached it at the start of the year, the company bas used six tax experts from accountants KPMG Peat Marwick on the investigation.

Mr Boh Gill, corporate affairs director, said one of the

central topics covered is the treatment of "soft commissions", the in-kind payments of equipment and other goods made hy stockbrokers and marketmakers in exchange for husioess.

hranch managers report tax on their share of the commissions paid to their sales teams, which can be up to 20 per cent of the value.

faces a better chance of developing under the ownership of examines serious cases of alleged frand or manipulation hut Mr Gill sald this probe was on "technical" matters.

> resolved with Revenue offirate discussion on the way interest-free loans paid to its 4,500 sales staff during times rent investigation.

meets to set next y**e**ar`s policy, the autlook far the German

Germany? Page 27

#### ECONOMIC EYE



justification for an insane procedure. Page 27

means share prices will be forced up if US and continental European funds hit London again this week.

finances are tackled can the market achieve new heights. Page 30

Speculation that the Bundesbank will cut interest rates is likely to mount. Page 39

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#### This week: Company news

## DAIMLER-BENZ Diet set to

#### improve after grim build-up Journalists invited to the Daimler-Benz

press conference on Wednesday have been told they must fare without their traditional Christmas dinner and make do with "a concentrated dose of .The message is plain: the worst may

be over for Germany's biggest industrial group, but there are still sacrifices to be made. Most of the news usually garnered at the December conference is already

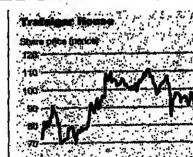
out. Grim third-quarter results making a DM2bn (\$1.1bn) deficit for the first nine months - were released rematurely last month, and chairman Mr Edzard Reuter has already prepared shareholders for a reduced dividend. Subsidiaries Deutsche Aerospace and AEG have meanwhile launched

restructuring plans, including sell-offs and shut-downs. All of which leaves Mr Reuter free to focus on the good news, and fill out the hints he gave a month ago about "clear improvements" in the closing

quarter and hrightening future The short-term outlook depends on Mercedes-Benz. The trusty cash cow has run dry lately, milked by recession, too high manufacturing costs and provisions for job cuts, but Mr Reuter will make much of the successful introduction of the new C-class car and recovering markets in North

America. He will also seek to demonstrate that the measures undertaken at AEG and Dasa will bring them to hreak-even

at the end of 1995. And with any luck, Mr Reuter will be able to crown the proceedings with an announcement on the manufacturing site for Mercedes' planned small car. The selection of a German works, which would imply union acceptance of new - and far cheaper - working practices and conditions, could well be the news of the day.



#### TRAFALGAR HOUSE A further sweeping of the decks

The new management at Trafalgar House is expected to undertake a thorough house cleaning operation - including further extensive asset writedowns and provisions - when the troubled conglomerate reports its full year results on Tuesday.

The group is now firmly under the

sway of Hong Kong Land, which holds a 25 per cent stake and counts the chairman and finance officer among its board representatives.

Although Trafalgar is expected to post a small underlying profit, further provisions of up to £150m (\$224m) are expected. The group took a £120m charge for restructuring and property write downs at the interim stage. After the provisions, Trafalgar's pre-tax losses for the year to September 30 may total £250m, compared with

a £30.3m deficit last time. It is generally assumed these will be the last write downs, therefore marking a low point for Trafalgar's profits. However, the group's businesses, which range from engineering and construction to property and shipping, are still likely to lag the general economic upturn. The market is also awaiting details

designed to complete the repair of the belance sheet. The company has already indicated that the total dividend for the year will be 3.25p, down from 6p.

of an expected £400m rights issue,

#### Air France to spell out cost cuts

OTHER COMPANIES

Today Mr Christian Blanc, chairman of Air France, is due to unveil measures aimed at stemming losses at the state-owned airline. Mr Blanc, who took over in October following a bitter strike which prompted the departure of Mr Bernard Attali, is seeking to cut 2,100 jobs through voluntary measures. The airline is expected to report losses of about FFr7bn (\$1.2bn) this year.

■ New York exchanges: On Tuesday the board of directors of the New York Mercantile Exchange is expected to vote on a plan to merge with the Commodity Exchange in a move that will unite New York's two largest modities exchanges.

■ Eurotunnel: On Wednesday the Channel tunnel operator is scheduled to hold an extraordinary general meeting in London to approve a one-for-three rights issue to raise half the £1bn (\$1.49hn) extra financing needed to cover the tunnel's costs until 1998, when it is scheduled to start breaking even. Eurotunnel is seeking the remainder from its bankers. By 1998 it estimates the total cash requirement for the project will total £10bn - £965m more than existing

Credito Italiano: Investors who have applied for stock in the privatisation of Italy's seventh biggest bank will be told on Wednesday how many shares they will receive. As the issue has been almost seven times oversubscribed, allocations will be cut back sharply and some of the stock due to be sold

to foreign institutions may be clawed back to satisfy domestic retail demand.

■ Peugeot-Citroen: On Thursday Mr Jacques Calvet, head of the French vehicle group, will give his annual press conference. He will discuss the state of dometic and international car markets and prospects for next year.

■ US healthcare industry: The New York Society of Security Analysts hosts a seminar on the healthcare industry on Friday. Speakers will include Mr Argeris Karabelas, head of SmithKline Beecham's North American pharmaceuticals business, and Ms Jami Rubin, a drug industry analyst with Nomura Securities.

Asda: On Friday the UK's fourth biggest superstore group is expected to announce a substantial increase in first-half pre-tax profits to £75m-£85m (\$126m), from last year's pre-exceptional figure of £46m. Analysts will be keen to hear more details of how the recent sale of the Allied carpet husiness to Carpetland will benefit Asda's cost structure.

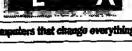
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Companies in this Issue 26 26

# Prudential to double venture capital funds

By Andrew Jack

Prudential Corporation, the financial services and life insurance company, yesterday announced that it was to more than double the funds earmarked for venture capital investment to £500m.

The new allocation is a tiny proportion of the £60hn the Prudential holds under management, but could provide a substantial boost to the total funds available for investment in smaller companies as they emerge from recession.

Mr Paul Brooks, head of Pru-dential Venture Managers. said: 'This probably puts us in the number one slot for cash available for investment in smaller companies. The Pru is saying we are open for husi-He said he expected the

£500m would be spent over the next three to five years, and

most would go towards management buy-outs in the UK. This year Venture Managers has only invested about 250m in new funds in capital van-

£210m of venture capital invested at cost, mostly injected over the past six years. It realised £110m from £40m invested at cost in the vear to date.

Mr Brooks said the money would be diverted from the proceeds of investments across Prudential and would not be at the expense of any other single activity. He said his only target was to outperform returns on

Venture Managers invests in companies capitalised within the £10m to £500m range, with most in the £20m to £150m range. It does not generally deal with start-ups, or with the

#### Contract problems hit Triplex Lloyd

By Paul Cheeseright, Midlands

Shares of Triplex Lloyd tumbled 11 per cent, from 144p to 128p on Friday after the industrial engineering group aonounced reverses at ED Hinchcliffe, the curtain walling company in lts engineering

Losses of £2.3m at Hinchcliffe, caused by overshooting of costs on three contracts, meant that group pre-tax prof-its for the six months to end-September were cut by 56 per

cent to £1.45m, against £3,31m. The losses wiped out operating profits of the company's growing power and automotive divisions. The overall figures were ameliorated by the inclusion of property profits arising from the sale and leaseback of a Sterling International Tech-

Earnings per share dropped

Prudential currently has

the FT-A All-Share index.

to 1.6p (4.6p). Nevertheless, the directors are maintaining the interim - and now uncovered - dividend at 2.5p, seeing the Hinchcliffe loss as what Mr Colin Cooke, chairman, described as "a setback against otherwise steady progress." Problems at Hinchcliffe,

detected as it reached the closing stages of the contracts and likely to drag the second half results down by £800,000, led to the postponement of plans for a new acquisition by the automotive division.

Triplex Lloyd has been investing in both its automo tive and power divisions. With the disposal of Thermovitrine, a glass processor, it has started to sell its building products companies. Offers have been received for all of them except Hinchcliffe, where a severe restructuring is taking place. Overall group turnover was

#### Hanson indicates the next chairman

By Maggle Urry

Hanson's annual report, published yesterday, spelt out for the first time that Mr Derek Bonham is expected to succeed Lord Hanson as chair-

In his statement, Lord Hanson said "the appointment of Derek Bonham as deputy chairman indicates the board's succession plans", Mr Bonham, chief executive

since April 1992, was made deputy chairman last month, and the stock market had taken this to mean that he would succeed Lord Hanson, who is 71 and due to retire in 1997. Mr Bonham is 50. Lord Hanson received a

modest pay increase, from £1.35m to £1.36m, after suffering a cut from £1.38m in 1992. The group also referred to a "tentative agreement" between the mineworkers union and the coal producers in the US, reached on December 7. It said, "hopefully this will lead to an end to the US coal strike". The strike, which began in February, cost Hanson £125m in the year to end-

September.
The accounts show Hanson made provisions of £481m on acquisitions, most relating to Quantum Chemical Corporation which was bought on the last day of the financial year. This was a much lower level of provisions than was made for the acquisition of Beazer in

1992 and Peabody in 1990, which required substantial provisions for environmental and health related benefits. In 1992 provisions on acquisi-tions totalled £1.69hn and in 1990 they were £2.1bn. There was a rise of £956m in

provisions to £5.82hn, with exchange rate movements alnne adding £823m to the total. Provisions ntilised totalled £530m. partly offset hy £199m of provisions set np during the year, most of which related to pensions and mployee ohligations.

Hanson maintained its £100,000 contribution to the Conservative party and £15,000 to the Centre for Polcy Studies. It gave £3.3m to virtually unchanged at £81.4m. charity around the world.

# **Fund managers**

By Andrew Jack

Fund managers are increasing their investment in UK and US equities at the expense of Japan and continental Europe, according to the latest Smith New Court/Gallup survey released today.

In a poll conducted last week

of 85 institutions, 27 per cent said they would be increasing their holdings of UK equities in December, compared with none when asked in November. The proportion planning to increase investment in US equities was 17 per cent, the first positive figure since February this year. Those institutions intending to raise their

Japanese equity holdings fell

from 17 per cent in November

to 8 per cent this month. Just 1 per cent said they would increase continental European holdings, compared with 21 per cent in November. Increased investment was most likely in French equities, and least likely for German shares.

The fund managers on average believed there would be further improvements to the UK economy over the next year, with the UK economy growing at 2.6 per cent and 2.7 per cent in 1995.

They forecast inflation of 3.8 per cent hy the end of 1994 and expected base rates to be further reduced to 5 per cent in the same period. They predicted earnings per share would grow by about 15 per

#### Keller for market valued at £60m

By Tim Burt

Keller, the former engineering subsidiary of GKN, is planning to come to the market next year in a flotation valuing the company at £60m. The specialist underground

foundations business, acquired from GKN three years ago in a \$26m management huv-out aims to use the flotation to finance overseas expansion. Projects in North Americe

and continental Europe already account for more than 80 per cent of Keller's profits and the group wants to increase its share of the international construction market, particularly in Germany. Kleinwort Benson, which is the buy-out

handling the flotation, expects market launch in the spring although the size of the share issue has not been decided.

Mr Jim Hamilton, heed of corporate finance at Kleinwort Benson, said yesterday that fresh finance would enable Keller to exploit construction opportunities in east Germany where large-scale infrastruc ture modernisation is under

The company is also under stood to be considering an acquisition in the US, where it has a base near Chicago.

Strong international demand helped Keller to increase profits last year to £7.3m, up 65 per cent in the three years since

#### Winchester Multimedia issue

By Paul Cheeseright

Winchester Multimedia, formed seven months ago by a team led by Mr Gary Smith, is seeking to raise £1.34m by the issue of 2.5m new shares at 60p each. The new shares will account for 32 per cent of the enlarged equity of the company which, will be valued at £4.56m. The issue is sponsored hy Allied Provincial Securities and JP Jenkins will make a market in the shares, provid-

ing deals on the hasis of matched bargains under Rule 535(2) of the Stock Exchange. The company is trying to build up a portfollo of intellectual property rights in the on the basis of the offer price,

# South African bank to shift investments invest £13m in Lloyd's

One of South Africa's largest hanks will today announce a £13m investment in a Lloyd's insurance subsidiary, providing a much needed fillip for the insurance market's initiative to attract corporate capital. Amalgamated Banks of South Africa (Absa), a bank holding company with insur-ance interests, will invest about £6.5m in Absa Syndicate Investments (Absil), which will

support about 12 syndicates with some £13m in capacity.
Mr Louw Van Wyk, managing director of Absa Financial Services, said the bank already had a long-standing association with Lloyd's through its insurance and broking activities.

lington Members' Agency, one of the market's largest, which looks after the affairs of 600 Names. Mr Julian Avery, chairman of Wellington, said the Absa decision was particularly encouraging following the recent failure of a number of capital raising efforts.

Last Monday Salomon Brothars, the US investment bank, and Johnson & Higgins. the insurance brokers. announced the withdrawal of their London Market Investors vehicle, which had aimed to raise \$300m (£201m) for Lloyd's.

Three UK trusts have also failed to gather support -Minories Investment Trust, Nelson Lloyd's Trust and John-

Recovery Fund.

Another US fund, Lutine Capital Corporation, has experienced difficulties in persuading enough US investors to support another \$300m initiative and could fail to meet its minimum capital target of \$200m by a December 15 dead-

Overall however, investment trusts and insurance companies have committed more than £960m in capital to the Lloyd's market, with Lloyd's easily exceeding its initial target of £500m

Ahsa was formed in early 1991, following an agreement to merge the interests of the former Allied, United and Volkskas banking groups.

#### Sanderson scores 19% rise

By Alan Cane

Sanderson Electronics' success by proxy was boosted last year as Sheffield Wednesday, the football team it sponsors to the tune of £250,000 a year, reached the finals of both the FA and Coca Cola cups.

Now the company, a soft-ware house specialising in open systems applications, has scored a 19 per cent increase in pre-tax profits from £2.8m to

£3.32m for the yeer to September 30 as the group achieved its 10th consecutive year of revenue growth. Mr Paul Thompson, chair-man, said the increase in prof-

its had been achieved despite

Earnings per share rose 6 per cent to 25.4p (24p) despite a higher tax charge, and the divi-dend, already paid, is 9.9p (9p). The interim dividend for 1993-94 is unchanged at 5.4p.

difficult trading.

Turnover was 10 per cent higher at £23.6m (£21.4m). The company has now reduced its shareholding in General Automation of the US from 49 per cent to below 19 per cent and a further reduction is likely in line with i Sanderson's strategy of concentrating on its core UK busi-

Gearing has been cut to 90 per cent (147 per cent); interest fell from £461,000 to £267,000.

|  | CROSS BORDER                                | M&A DEALS            |       |                                  |
|--|---|----------------------|-------|----------------------------------|
| BIDDER/INVESTOR  | TARGET                                      | SECTOR               | VALUE | COMMENT                          |
| France Telecom (France)/<br>Deutsche Telekom (Germany) | Joint venture                               | Telecoma             | £762m | First step In collaboration      |
| Corange (Bermuda)                                      | CeliPro (US)                                | Biotechnology        | £147m | Stake starts<br>alliance         |
| Embraco (Brazil)                                       | Unit of Whitipool (US)                      | Retrigeration        | £70m  | Buying partner's<br>italian unit |
| Accor (France)   | Pannonia (Hungary)                          | Hotels               | £38m  | Accor leads 51% investment       |
| Bridge Oil (Australia)                                 | Assets of Senta Fe Energy<br>Resources (US) | Oli & gas            | £33m  | Acquiring reserves               |
| Bernrose Corp (UK)                                     | McCleary-Cumming (US)                       | Publishing           | £18m  | Bolstering US<br>presence        |
| Laboratoire Chauvin<br>(France)                        | Unit of Smith & Nephew (UK)                 | Ophthalmic solutions | £18m  | Proceeds to<br>cut debt          |
| Samsung Corning<br>(S Korea)                           | Femeshgles Tachemitz<br>(Germany)           | Glass                | n/a   | Price set next<br>year           |
| Electrokux (Sweden)                                    | Unit of AEG (Germany)                       | Domestic appliances  | n/a   | Part of AEG<br>shake-out         |
| Investor consortium<br>(UK/US)                         | Mibrag (Germany)                            | Coal mining          | n/a   | Much investment<br>promised      |

#### To the holders of

**Carlton Communications Plc** 

7.5 per cent Convertible Subordinated Bonds due 2007

6,000,000 Exchangeable Capital Securities St

HIOTICE OF PECOMINEHIDED OFFERS ON BEHALF OF CARLTON COMMUNICATIONS PIC FOR CENTRAL INDEPENDENT TELEVISION DIC Plotte is hereby even that Hambros Bank Limited ("Hambros") has announced on behalf of Cariton Communications Pr

("Carlton") that by means of a formal offer document dated and despatched on 10th December, 1993 (the "Offer Document"), Humbros made offers (the "Offers") on behalf of Carlton for: all the evising unconditionally allotted and risued fully paid ordinary shares of Central Independent Television of ("Cestral") and any further Central ordinary shares unconditionally allotted or essed fully paid on or before 31st December, 1993 (or such later date(s) as Cariton may decide) and any Central ordinary shares unconditionally otted or assed while the Offers remain open for acceptance either on the everose of oppors granted under

Control's than option schemes or on the everose of conversion rights under the Central convertible bonds ("Central shares"), other than Central shares already owned by Carlton; and all the sexed 6.5 per cent. Convertible Subardinated Bonds of Central due 2008 ("Central convertible bonds") convertible into Central ordinary shares

The other for the Central shares comprises for every 100 Central shares: £850.42 in cash; 114 new Carlton ordinary shares; and 875 new Carlton S.5p (nee) cumulative convertible preference shares ("new Carlton preference shares"), and so in proportion for any other number of Central shares held. The offer for the Central convertible bonds: £2,424.27 in cash; 325 new Carlton or the composition for every £5,000 nominal of Central convertible bonds: £2,424.27 in cash; 325 new Carlton prefinary shares; and 2.494 new Carlton preference shares, and so a proportion for any other populat amount of

Accepting Central shareholders and bendholders can elect to receive Carlton loan notes instead of all or part of the cash Remark of the Cliuds on the base of £1 nominal of loan notes for every £1 cash receivable under the Offers and fractions හම්සිතාවයක හැම දිදු ස්ප්ලනයේදේ .

Application riss seem made for the new Carlton ordinary stures and the new Carlton preference shares (but not the loan reservice by a firmened to the Olifinal List of the London Stock 6 change. No application has been made or is intended to be made for the new Carlton preference shares or the loan notes to be fisted or dealt in on an, other stock exchange

transplantial descholder land bandholders are under mix and match elections elect to vary the proportions in which they receive each risk alternatively I can notes), new Carlton ordinary shares and new Carlton preference shares. The tries must amount or each (or alternatively loan notes) and the maximum numbers of new Carlton ordinary shares and new to retisf, miniand protch electrism made by accepting Central shareholders or bondholders will depend on other accepting Central shareholders and bondholders making olisetting elections The making of the Offers in, or to certain persons resident in, jurisdictions outside the United Kinedom or who are one or residents of materials of other tourities may be affected by the laws of relevant oversess jurisdations. Central shareholden and bendried for such as a tourities may be affected by the laws of relevant oversess jurisdations. Central shareholden and bendried for such as a tourities about and observed to the countries should inform themselves about and observed to the countries of the countries o

any applicable regil requirements and will be responsible for the payment of any nace, transfer or other takes b The Offices are not being made, directly or indirectly, in or by use of the mais of, or by any means or instrumentality of interviate or fixing a commerce of, or any facilities of a national securities or change of, the United States. This includes but is not finited to freque to anomal year, relevand to beginning that is any more and tolegations. Furthermore, the new Carlton ordinary shares, the new Carlton. preference thanks, the lean notes, and the new Carlion ordinary shares issuable upon conversion of the new Carlio

professors livings in the city been and will not be registered under the United States Securities Act 1933 and may not be effected, this or disk area, drouble or indirectly in the United States. The Ottern which have been made by means of the Offer Document are capable of acceptance on and after 10th December 1999 in strendards with the forms and condecans set out or referred to in the Offer Document and the related forms of acceptance. Acceptance is of the Offers should be received by no later than 3.00 p.m. on 31st December, 1993 (or such later than 3.00 p.m. on 31st December than 3.00 p

An extraordinary great execting of Canton has been convened for 5th January, 1994 at which Carlton ordinary thursholders will be 80-ed to approve, interiors the acquisition of Central and the steps required to be taken in connection with it. Carton ordinary therefolders have been sent a circular containing information relating to the Offers, lister particular (comming information relating to the Offers, Certifal and the rights attached to the eusing Carlton ordinary shares, the cost of Carlton ending shares, the cost of Carlton end or expensive specific and the rights attached to the eusing Carlton ordinary shares, the cost of Carlton end ordinary shares, the cost of Carlton end ordinary shares and like Carlton end ordinary shares shares and like loan notes the (Life Footonies) (for information only) and forms of proxy for use by Carlton ordinary shareholders at the cost and carlton end or the cost of the Carlton end of the cost of Pt., Registre N. Depistment, P.O. Box 82. Caston House, Reddiffe Way, Bristol BS99 7NH or Hambros Bank Limited, 41 i swer Hill, Lencen ECSI I HHA.

This adversionment is published on botalful Cariton and has been approved by Hambros, a member of The Securities and Futures Authority, for the purposes of Section 57 of the Financial Services Act, 1986.

The Circaton of Caritan secret responsibility for the information contained in this advertisement and to the best of their knowledge and belief (taking this enal) measurable care to ensure that such is the case) the information contained in this adventicement is in excendence with the last and does not omal anything likely to affect the import of such information.

Provident without the information purposes only and does not and must not be construed in an offer

13th December, 1993.

#### Recommended Offers on behalf of Carlton Communications Plc for Central Independent Television plc

Hambros Bank Limited ("Hambros") announces on behalf of Cartion Communications Pk ("Cartion") that, by means of a

Offers 7 on behalf of Carton for: all the existing unconditionally allotted and issued fully paid ordinary shares of Central Independent Television pic ("Central") and any further Central ordinary shares unconditionally allotted or issued fully paid on or before 31st December, 1993 (or such later date(s) as Carlton may deadle) and any Central ordinary shares uncondition afortied or issued whits the Offers remain open for acceptance either on the exercise of opports granted under Central's share option schemes or on the exercise of conversion rights under the Central convertible bonds ("Central shares"), other than Central shares already owned by Carlton; and

formal offer document dated and despatched on 10th December, 1993 (the "Offer Document"). Hambros made offers (the

all the issued 6.5 per cent. Convertible Subordinated Bonds of Central due 2008 ("Central convertible bonds"), convertible into Central ordinary shares.

The offer for the Central shares (the 'Ordinary Offer') comprises for every 100 Central shares: £850.62 in cash; 114 new Carlton ordinary shares; and 875 new Carlton 5.5p (net) cumulative convertible preference shares (new Carlton preference shares), and so in proportion for any other number of Central shares held. The offer for the Central convertible bonds: £2,424.27 in cash; 325 new Carlton ordinary shares; and 2,494 new Carlton preference shares, and so in proportion for any other

nominal amount of Central convertible bonds held. Accepting Central shareholders and bondholders can elect to receive Carlton loan notes instead of all or part of the cash element of the Offers on the bass of £1 nominal of loan notes for every £1 cash receivable under the Offers and any fractional entitlements will be disregarded.

Application has been made for the new Carlton ordinary shares and the new Carlton preference shares (but not the loan notes) to be admitted to the Official List of the London Stock Exchange. No application has been or is intended to be made for the new Carlton orderary shares, the new Carlton preference shares or the loan notes to be listed or dealt in on any

Accepting Central shareholders and bondholders can under mix and match elections elect to vary the proporpors in which they receive cash (or alternatively loan notes), new Carlton ordinary shares and new Carlton preference shares. The maximum amount of cash (or alternatively loan notes) and the maximum numbers of new Carlton ordinary shares and new Carlton preference shares to be issued under the Offers will not be varied as a result of mist and match elections. The ability to satisfy mis, and match elections made by accepting Central shareholders and bondholders will depend on other accepting Central shareholders and bondholders making offsetting elections

The Offers which have been made by means of the Offer Document are capable of acceptance on and after 10th December, 1793 in accordance with the terms and conditions set out or referred to in the Offer Document and the related Forms of Acceptance. Acceptances of the Offers should be received by no later than 3.00 p.m. on 31st December, 1993 (or such later time(s) and/or date(s) as Cariton may, subject to the City Code, decide). The Offers are, by means of this advertisement, extended to all persons to whom the Offer Document may not be despatched who hold, or are entitled to have unconditionally allotted or issued to them.

may not be despatched who hold, or are entitled to have unconditionally allotted or issued to them, Central shares or Central convertible bonds (whether in definitive bearer form, whether or not held through the Euroclear System or Cedel, or in registered form). The making of the Offers in, or to certain persons resident in jurisdictions outside the United Kingdom or who are officer residents or nationals of other countries may be affected by the laws of relevant oversess jurisdictions. Central shareholders and bondholders who are others, residents or nationals of other countries should inform themselves about and observe

nsoever payable in such territory. The Offers are not being made directly or indirectly in or by use of the mals of or by any means or instrumentality of interstale or foreign commerce of, or any factines of a national securities exchange of, the United States. This includes but is not limited to facsimile transmission, telex and telephone. Persons wishing to accept the Offers should not use such mals or any such means or instrumentality for any purpose directly or indirectly related to acceptance of the Offers and so doing may available any purported acceptance. Any acceptance of the Offers by persons who are unable to give the warranty set out in paragraph 9(d) of Part 8 of Appendix. I to the Offer Document (relating to US restrictions) will be disregarded. Furthermore, the new Carlton ordinary shares, the new Carlton preference shares, the loan notes, and the new Carlton ordinary shares soundly upon conversion of the new Carlton preference shares, have not been and will not be registered under the United States Securices Act 1933 and may not be offered, sold or delivered directly or indirectly in the United

The full terms and conditions of the Offers are set out in the Offer Document and in the related forms of Acceptance. The advertisement alone does not constitute and must not be construed as an offer, and accepting Central shareholders and bondholders may only rely upon the Offer Document and Forms of Acceptance for all the terms and conditions of the Offers. Copies of the Offer Document, Forms of Acceptance and the accompanying listing particulars relating to the new Carlton ordinary shares and new Carlton preference shares will be available for collection from National Westminster Bank Pic. Registrar's Department, New Issues Section, 15 Featherstone Street, London EC IY 8QS or from Hambros Bank Limited, 41 Tower Hill Landon ECIN 4HA, or from The Chase Manhattan Bank, N.A., Woodgate House, Coleman Street London ECTP 2HD. This advertisement shall be deemed to be notice by Central to Central bondholders, given pursuant to Clause II(G) of the Trust Deed (as referred to in paragraph I 2 of Part IX of the listing particulars) that the Ordinary Offer

This advertment is published on behalf of Carlton and has been approved by Hambros, a member of The Securities and Futures Authority, solely for the purposes of Section 57 of the Financial Services Act 1985.

The Directors of Cariton a cept responsibility for the information contained in this adverknowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this idvertisement is in accordance with the facts and does not omit anything likely to affect the import of such information. 13th December, 1993.

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| 030               | 25.27   | 27 47<br>23 56                                  | 29.19<br>25.27                   |
| 100<br>130        | 22.95   | 22 89<br>22.48                                  | 24,61                            |
| 230               | 22.17   | 21.57   | 24.10<br>23.29                   |
| 230<br>300        | 22.17   | 18.48<br>18.18                                  | 19 46<br>18, 16                  |
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U.S. \$150,000,000



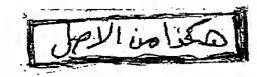
Undated Floating Rate Primary Capital Notes

In accordance with the provisions of the Notes, notice is hereby en that for the three month Interest Period from December 13. 1993 to March 14, 1994 the Notes will carry an Interest Rate of 3.625% per annum. The interest payable on the relevant interest payment date, March 14, 1994 will be U.S. \$91.63 per U.S.

By: The Chase Manhattan Bank, N.A. London, Agent Bank

December 13, 1993





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19



# THE GERMAN PFANDBRIEF

# SOLID VALUE FROM THE GROUND

When this classic example of German quality workmanship first came off the assembly line in 1945, the Pfandbrief idea in Germany was already 175 years old. Today, Germany's Pfandbrief system is still going strong, accounting for about 40 % of the entire fixed-interest securities market in Germany. This means about DM 832

> billion invested in outstanding Pfandbriefe at year-end 1992, of which the nation's 26 private mortgage banks accounted for DM 503 billion. International investors seeking currency diversification have to be impressed with the stability of the D-Mark. And with the time-

> > tested endurance and safety of Germany's Pfandbrief system. What's more, investors with very low risk tolerance have to like the fact that Pfandbriefe generally provide higher yields than German Treasury bonds (Bunds). Pfand-

briefe in Germany are bonds of a special

kind, issued to refinance mortgages or public projects. What makes them so special are the many requirements stipulated by Germany's Mortgage Bank Act. For instance, Pfandbriefe can only be issued by specially authorized banks which are also fully liable for each issue. They are secured by mortgages or by public-sector loans. They must carry backing of separate funds with at least matching yields and maturities. And all Pfandbriefe are monitored by a trustee designated by the state. The track record for safety? No investor has ever failed to receive 100 % repayment of a Pfandbrief held to maturity. To find out why some things improve with age, German Pfandbriefe are officially quoted on

have a look at Germany's Pfandbrief system.

German stock exchanges. Issuers actively maintain a well-functioning secondary market.

# SOME THINGS IMPROVE WITH AGE.

#### GERMANY'S MORTGAGE BANKS

DEPFA-BANK, WIESBADEN BAYERISCHE VEREINSBANK AG, MÜNCHEN HYPO-BANK, MÜNCHEN DEUTSCHE HYPOTHEKENBANK FRANKFURT AG, FRANKFURT RHEINHYP, FRANKFURT DEUTSCHE GENOSSENSCHAFTS-HYPOTHEKENBANK AG, HAMBURG FRANKFURTER HYPOTHEKENBANK AG, FRANKFURT DEUTSCHE CENTRALBODENKREDIT-AG, KÖLN BAYERISCHE HANDELSBANK AG, MÜNCHEN

WESTHYP, DORTMUND BERUN HYP, BERUN SÜDDEUTSCHE BODENCREDITBANK AG, MÜNCHEN MÜNCHENER HYPOTHEKENBANK EG, MÜNCHEN HAMBURGHYP, HAMBURG WÜRTTEMBERGER HYPO, STUTTGART NÜRNBERGHYP, NÜRNBERG HYPOTHEKENBANK IN ESSEN AG, ESSEN DEUTSCHE HYPOTHEKENBANK (ACT.- GES.), HANNOVER BRAUNSCHWEIG-HANNOVERSCHE HYPOTHEKENBANK AG, HANNOVER ALLGEMEINE HYPOTHEKEN BANK AG, FRANKFURT RHEINBODEN HYPOTHEKENBANK AG, KÖLN LÜBECKER HYPOTHEKENBANK AG, LÜBECK NORDHYPO BANK, HAMBURG BFG-HYPOTHEKENBANK AG, FRANKFURT WL-BANK, MÜNSTER HYPOTHEKENBANK IN BERLIN AG, BERLIN

# Airline alliance closer as booking row ends

By Bernard Simon in Toronto

Canadian Airlines International and American Airlines have settled their dispute with the Gemini computerised reservations system, hringing the two carriers within reach of a long-delayed alliance.

With the threatened litigation no longer an issue, the link between American and Canadian now appears virtually assured of being consum-

**Ambroveneto** 

Sicilian bank

Banco Ambrosiano Veneto

(Ambroveneto), a leading Ital-

lan bank, ie exteoding into

southern Italy by huying con-trol of Societa Banche Slcil-

Ambrovsneto is paying about L85bn (\$51m) for 69.2 per cent of SBS, held by Isti-

tuto Centrale di Banche e Ban-

chieri. It will purchase a fur-ther 9 per cent from the

minority shareholders who

The acquisition will allow

Ambroveneto, which is con-

centrated in northern Italy, to

break into the underdeveloped

Sicilian market. SBS has 29

branches and 300 employees

operations, concentrated in the Naples area. Milan-based

Ambroveneto has grown rap-

idly in recent years, and now

has 500 branches nationwide.

Johnson Matthey

signs catalyst deal

Johnson Matthey, the precious

metals and advanced materials

groop, is today expected to

announce a joint venture to

manufacture anto catalysts in

Malaysia. It has signed an

agreement with Hicom, the

Malayslan government's

investment arm, to haild a

plant to produce im catalysts

own the rest of the stock.

across the island.

By Tim Burt

a year hy 1995,

iane, a small Sicilian bank.

to control

By Haig Simonian

dian Airlines official said that "it'e down to the final details on Gemini".

Under the proposed alliance, which was first mooted two years ago, American's parent company, AMR, will inject C\$246m (US\$186.3m) into Canadian in return for a 25 per cent voting interest. A key condi-tion of the deal is that Canadian sever its links with Gemini, and instead join the Sabre reservation system owned by American's parent, AMR Corp.

draw from Gemini have, up to now, been strongly resisted by the other chareholders, Air Canada and Covia, a unit of United Airlines. They have contended that Gemini would be fatally weakened, leaving Sabre with a virtual monopoly of the Canadian travel market. Mr Paul Nelson, Gemini chief executive, said yesterday many travel agents who use ths system had urged it to settle its litigation against Cana-

dian and AMR. The parties

have agreed to keep details of

Rome. The original timing for

BCI's privatisation at the

beginning of April has been overshadowed by the growing chance that general elections

Bankers have warned

against scheduling the privati-

sation in the immediate after-

math of the poll. The election

is likely to return a highly

divided parliament and trigger a period of considerable uncer-

tainty in Italian politics in the

As a result, the government

is thinking about bringing for-

ward the deal to the second

will be held in late March.

the settlement secret. Canadian and Air Canada last month appointed a mediator to help negotiate the terms of dissolving Gemini. The deadline for completion of the talks was extended earlier this week to December 20. Air Canada is expected to drop its objections to Canadian leaving Gemini in exchange for an agreement to rejig the two carriers' international routes.

Mr Ben Mikula, analyst at Midland Walwyn in Montreal predicted that "there'll be a

series of quid pro quos", with Air Canada gaining access to some of Canadian's lucrative trans-Pacific routes, and a rationalisation of the two airlinee' trane-Atlantic

AMR originally set a Decemher 31 deadline for the deal with Canadian, but numerous delays have forced Canadian to request an extension. The financially-strapped airline also plans to ask governments and creditors for hridging

# BCI sell-off may be brought forward

By Haig Simonian in Milan

The Italian government is considering accelerating the privatisation of Banca Com-merciale Italiana, one of the country's leading hanks, following the strong domestic demand for shares in Credito Italiano.

The Credito Italiano deal involves the privatisation of the 67 per cent stake owned by the IRI state holding company. When allocations for the transaction, expected to be up to seven times oversubscribed. are made on Wednesday, retail spplicants will be pared back to a maximum of 2,500 shares

This purchase follows the acquisition last year of Citi-hank's retail banking

Meanwhile, investors who sought to buy shares in the latter part of the application schedule on Wednesday, are not expected to receive any leave insufficient time for the planned simultaneous listing The call to hring forward the of BCI stock in the US, but BCI sale has been influenced would otherwise be technically by the strong interest in Crefeseible, according to one dito Italiano and the pace of political developmente in

"The US listing could be done cubsequently, and the likely reduction in US demand as a result will probably be immaterial in view of the strength of domestic retail interest in privatisations shown by Credito Italiano," be

The higgest obstacle to the new timing could come from a clash with the scheduled sale of Istituto Mobiliare Italiano, the big Rome-based financial services group.

The treasury is planning to sell up to 30 per cent of IMT'e shares in early February 1994. Although BCI and IMI have markedly different specialisa-

tions, and the two privatisadiffering investors, any attempt to sell the two banks almost simultaneously. "could be more than Italy's privatisation programme could bear". said one banker.

Surprisingly, neither the government nor IRI appears to have considered bringing the IMI deal forward, or swapping it in the privatisation queue with BCL which is likely to raise considerably more cash for the hard-pressed treasury. However, Mr Luigi Arcuti, IMI chairman, indicated at the weekend the bank might try to bring forward its privatisation. Separately, IMI announced that net profits in the first nine months of this year were L376bn (\$224m), while total assets at the end of September amounted to L72.430bn.

#### half of February. That would Nynex to reduce staff **Creditanstalt opens** broker firm in Poland by 'several thousand'

By Christopher Bobinski

Creditanstalt, the Austrian hank which has invested Sch2bn (\$1657m) in developing its eastern European banking network since 1989, has opened Poland's first foreign-owned stockbroking house.

Mr Guido Schmidt Chiari, the bank chairman, said yesterday Creditanstalt thought Poland, the Czech and Slovak republics and Hungary would he "the growth area in Europe for the next few decades". Sweden's OM group has agreed with a consortium of

Czech companies to set up an options and futures market in Prague. It is the company's second venture into eastern Europe since establishing a futures and options exchange in Bratislava in Slovakia earlier this year, writes Christpher Brown-Humes in Stock-

The new market will he called the Prague Options and Futures Exchange, and will allow investors in Czech companies to manage the risks associated with equity investments. The Czech Republic has a stock market with a daily volume of Kcs460m (\$15m).

By Patrick Harverson in New York

Nynex, the Bahy Bell telephone company serving the north-eastern US, plans to cut "several thousand" jobs within three years. However, it denied reports that up to 22,000 of the 69,000 in its telecommunica-

two years.

Nynex said the company had made it clear that it intended to reduce its costs by between 30 per cent and 40 per cent before the end of 1996. The

tions division would go. It has

already shrunk its payroll by

about 13 per cent in the past

company has yet to put a figure on reductions required. Most national and regional telephone companies have been cost-cutting or restructur ing to survive an increasingly

competitive environment. Nynex is likely to face opposition from telecommunica tions unions over its plans to reduce its workforce. Yesterday, the president of the Communications Workers of America said the union would not tolerate any plan which forced employees off the payroll. In 1969, a dispute over wages and henefits led to a strike at Nynex that lasted 17 weeks.

#### Sale of Renault to go ahead as planned

By John Ridding in Paris

The privatisation of Renault will go ahead as planned in epite of the failure of its merger with the car and truck activities of Volvo of Sweden. Mr Gerard Longnet, the French industry minister, said vesterday.

In an interview on French television, Mr Longuet said the privatisation date would be set by the cabinet, but that it could still take place in the second half of next year.

The timing of the privatisation of the combined group was one of the principal con-cerns of Swedish investors, whose opposition to the deal forced Volvo to abandon the

Mr Longuet said the collarse of the merger did not threaten Renault and that the stateowned car group "can live on its own". However, he added that Renault would continue to seek international alliances to strengthen its position in the world car market.

The development of Renault's strategy was a matter for the car group's management, said Mr Longuet. "It is up to the company to establish its projects."

Mr Longuet also said the state was likely to retain between 10 and 15 per cent of the shares in Elf Aquitaine. the oil group due to be privatised early next year.

In the case of Groupe Bull, the loss-making computer manufacturer. Mr Longuet said the government would consider privatisation "when the horizon is clearer".

#### MIM share sale played down

By Nildd Tait in Sydney

Holdings, . the Brisbane-based metals group, has played down the impact of last Thursday's sale of shares in MIM by the German Metall-gesellschaft group. It said the commercial relationship between the two companies was expected to continue in the immediate future.

S Korea instructs ' telecom bidders to form consortium

By John Burton in Seoul

The South Korean communications ministry has ordered competing bidders for the nation's second cellular telephone project to form a single consortium to operate the

Foreign partners will be allowed a 20 per cent stake in the consortium, which will compete against the etateowned Korea Mobile Telecom (KMT).

decided last Friday to privatise KMT. The state-supported Korea Telecom, the country's leading telecommunications operator, will reduce its 64 per cent interest in KMT to 19 per cent by selling its shares to

domestic companies. The Federation of Korean ndustries (FKI), the country's main business organisation, has been appointed to sel consortium members within two months.

The eecond cellular telephons project was announced in 1991, and the government last year held a licence bid that involved six competing Korean consortia and 11 foreign part-ners, including British Tele-

The licence was awarded to a consortium led hy Sunkyong, the country's fifth-largest busi-ness group. Other leading con-

tenders included Pohang Iron and Steel (Posco) and Kolan, a textile group. The Sunkyong bid was supported by the UK's Vodafone, GTE of the US and

Hong Kong-based Hutchison. But the government then rescinded the decision because critics charged that nepotism was involved in the selection process, since the son of the Sunkyong chairman is married: to the daughter of South Korea's then-president Roh

Controversy may continue over the new contract award eince the FKI is headed by the Sunkyong chairman, Mr Chey

Jong-hyon. Analysts also believe the competing bidders may find it to difficult to co-operate on the project. If it proves impossible to form a consortium, the government will then select applicants and allot equal equity.

Telecommunications compa nies will be barred from participating in the consortium as part of an anti-monopoly policy. An independent manager nt team will be appointed 🐛 operate the carrier without interference from the consortium's shareholders.

In privatising KMT, the government said that it would allow any one company to buy one-third of the carrier, which would give it management

#### Ford promotes founder's great-grandson Edsel

By Patrick Harverson

Ford has appointed Mr Edsel Ford II, the great-grandson of the auto group's founder, Mr Henry Ford, a vice-president of

Analysts said the promotion of Mr Ford, 44, and currently president and chief operating officer of Ford Motor Credit, the group's finance unit, suggests the management may be grooming him for the top job at

However, analysts said it was unlikely Mr Ford would succeed the current chairman, Mr Alexander Trotman, who is

due to retire in the late 1990s. This was because of his lack of experience in senior manage

Mr Ford joined the company in 1974, and worked in product planning and marketing before taking over at Ford Credit in

Mr Ford has a good chance of becoming chairman because 40 per cent of the company's voting stock is controlled by the Ford family, and three members of the family sit on the hoard of directors. Fords have run the company for all but 13 years of its 90-year his-

November 1993

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opens in London

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# Hongkong Bank The Hongkong and Shanghal Banking Corporation Limited (Incorporated in Hong Kong with Minited Stability)

U.S.\$400,000,000 PRIMARY CAPITAL UNDATED FLOATING RATE NOTES

\$63.19 and in respect of \$100,000 nominel of the Notes will be \$1,263.89

December 13, 1993, London By: Clabenk, N.A. (Issuer Services), Agent Bank CTTBANCO

NOTICE GIVEN BY HEWS CAYMAN LINITED IN WILLATION TO News Cayman Limited 150,000 75% Guaranteed Sterling Exchange Preference Shares due 1999 Preference Shares due 1999

Notice is hereby given to persons registered as holders of Preference Sharas in News Cayman Limited (the "Company") which are exchangeable for a proportion of the Euchange Property that:

(1) there has occurred a change in the composition of the Euchange Property consequent to the lesue by Pearson pic, to shareholders registered on 1st December 1995, of one share of Royal Doulton pic for every tan Shares of Pearson pic held on the record date; and (ii) subsequent to such change each holder of a Praterence Share is entitled, upon merches of the Exchange Right, to 257-248 shares in the capital of Pearson pic and 23,7248 shares in the capital of Royal Doulton pic lor every such Preforence Share such porson holds.

Capitalized terms used herein shall bear the same meanings ascribed thereto in the Articles of Association of the Company.

December 13, 1993, London
By: Chibarik, N.A. (Issuer Services) Paying Agent CITIBANCO

The Chase Manhattan Corporation U.S. \$400,000,000

Floating Rate Subordinated Notes due 2009 For the three months 13th December, 1993 to 14th March, 1994 the Notes will carry an interest rate of 55% per annum with a coupon amount of U.S. \$132.71 per U.S. \$10,000 Notes, payable A Bankers Trust Company, Lon

Nafin Finance Trust II U.S. \$129,880,000

Floating Rate Notes due 1999 For the Interest Period In December, 1993 to 31st March 1994 the Notes will corry a Rat Interest of 5.95 per c urunum. The Coupon Amusini per U.S. 510,000 Note will be U.S. 5195.03 parable on 31st

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Paying Agents listed below.

The Bonds must be presented for payment together with all unmatured Coupons. Bonds and Coupons will become void unless presented for

Coupons. Sonds and Coupons will become void whose presented for payment within periods of 10 years and 5 years respectively from January 25, 1994 as defined in Condition 10 of the Bonds.

Notwithstanding the loregoing, the holder of any Bond will, at any time up to the close of business (at the place where such Bond is deposited for conversion) on JANUARY 29, 1994, have the right to convert the principal amount of such Bond into Non-voting shares in accordance with Condition 5 of the Terms and Conditions of the Bonds.

On December 7, 1993 the conversion price was 18,853 Won (shares Issuable per Bond : 192.1), the closing price of the Non-voting shares was 30,000 Won and the aggregate principal amount of the outstanding Bonds was U.S. \$17,365,000.

PRINCIPAL PAYING AND CONVERSION AGENT The Chase Manhattan Bank, N.A. Woolgate House, Coleman Street, London EC2P 2HD

PAYING AND CONVERSION AGENTS Chase Manhattan Bank nbourg S.A. (Switzerland) 5 Rue Pla L-2338 Luxembourg Grund CH-1204 Geneva

Banque Bruxelles Lambert S.A. 24 Avenue Marrib, B1050 Brussels By: The Chase Manhettan Bank, N.A. London, Principal Paying Agent

CHASE

December 13, 1993

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sice is hereby given to persone registered as holders of Preference here's in News Cayman investment Limited (the "Company") which are retaingeable for a proportion of the Exchange Property that:

I there has occurred a change in the composition of the Exchange Property consequent to the issue by Pearson pic, be shareholders registered on 1st December 1933, of one share of Royal Doutton pic for every ten Shares of Pearson pic held on the record date; and il subsequent to such change each holder of a Preference Share is entitled, upon meetice of the Exchange Right, to 64.3228 shares in the capital of Royal Doutton pic for every such Preference Share such person holds, apitalised terms used herein shall bear the same meanings ascribed sensition the Ardetee of Association of the Company. **News Cayman Investment Limited** 

December 13, 1993, London By: Citipenk, N.A. (Issuer Services) Paying Agent CITIBANCO

TRANSWORLD BOND FUND 2, boulevard Royal, Luxembourg DIVIDEND ANNOUNCEMENT

TRANSWORLD ROND TRUST will pay out a dividend of USD 235 per share on December 20, 1993 to each unit on record on December 13, 1993 to each unit on record on December 13, 1993, THE BOARD OF DIRECTORS of Transworld Bond Trust Management Company

# The Markets

THIS WEEK

Global Investor / Peter Martin

# Germany's monetary policy dilemma



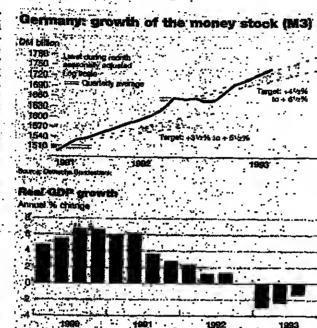
Bundesbank council, which will set monetary targets for the year ahead. The 1993 target range for the growth of M3, the broad measure of the money supply, is 4% to 6% per cent. In practice, M3 looks like ending the year up 7 per cent. That's no big deal: since 1975, says Ms Alison Cottrell of Midland Rank, the Bundesbank has hit the target in eight years and missed it 11

Its council members are unlikely to see a half-point overshoot as a serious prob-lem, especially as the German economy looks like diving back into recession for the next six months at least.

But they cannot yet be entirely relaxed about the threat of inflation. Though western Germany is stagnating, and companies are cutting back their workforces, inflationary psychology still lingers and wage demands are steeper tban is consistent with long-term price stability.

And eastern Germany is at last showing signs of recovery. One fund manager, just back from inspecting the vast building site in the east, calculates that the region is now adding % of a percentage point to all-"It German GDP growth.

Even if the Bundesbank wished to, therefore, it cannot afford to neglect inflation. In particular, it must remain cautious, about the weakening D-Mark, down more than 5 per cent against the dollar since mid-October, and now back more or less to its old ERM parity against the French franc. US long-term interest rates are once again higher



than those in Germany, adding to downward pressure on the

That leaves the most likely outcome of the meeting a compromise: a lower M3 target range - perhaps 4 to 6 per cent says Ms Cottrell - accompan-ied by further steps towards monetary easing. These are likely to wait until after the expiry early in the new year of the fixed-rate repos designed to keep Europe's currencies calm

over Christmas. into the markets' expectations. Any interruption of this process - if, say, the D-Mark hit an air-pocket - would have a damaging impact. For German equities, there is an extra uncertainty. After rising by half in just over a year, they now discount a sharp recovery in the earnings of Deutschland CmbH. If it fails to materialise on schedule - either because

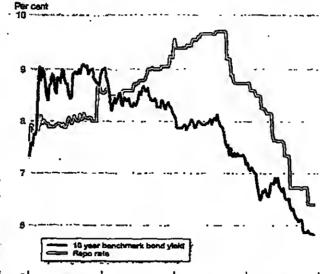
the Bundesbank goes slow on rate cuts, or because investors are simply expecting too big a bounce too soon - there could be a bumpy few months while reality catches np with expec-

#### Seasonal factors

At this time of year, investors' thoughts turn to the season of goodwill: January. Traditionally, this is the month when stock markets rack up the best performance of the year, allowing the one-decision fund manager to go back to bed for the next 11 months. Goldman Sachs reports that

in Italy, the UK and Norway, for example, January turns in an averaga monthly return of about 6 per cent, while the other months of the year manage 1 per cent or less. Even the US, where the effect is less marked, shows January ach-

#### Interest rates



ieving a 3% per cent return, while the other months average below 1 per cent. Only Germany remains immune. With Teutonic neatness, January's 1 per cent is no different from the rest of the year.

#### ■ Mirror image

The woes of Japanese stockmarket investors bave heen obvious enough these past few weeks. Japanese fixed income investors, however, have been laughing all the way to the bank. As the table alongside shows, 7 to 10 year Japanese bonds bave achieved a total return of nearly 2½ per cent in the past month, outstripped only by tha UK, while equities bave lost nearly 6 per cent in total return terms.

For every fact, there is an analyst with a theory. And sure enough, Mr Alan Butler-Henderson, Baring Securities'

new Asian strategist, says there has been an obvious pattern of "mirror image" behav-iour between Japan's bonds

"The occurrence in the spring of this year was particu-larly classic," he said last week. "As equities lifted into a sharp, 30 per cent surge, hond prices fell back quite abruptly." This autumn, the opposite has happened. He expects to see the pattern reverse again some time in the next few months.

and equities for some while.

You do not have to believe that theory to be struck by the divergence of performance between equities and boods. It also fits, for example, with the belief that Japan is undergoing a far more serious dellation than the government has yet been willing to admit.
The wholesale price figures,

due out oo Tuesday, will show a 3 per ceot decline on the pretant UK economic indicators

vious year for the third month running. When prices fall this fast bonds look a lot more sttractive than equities.

#### Oil shock

Inflation has been given a further downward impetus around the world by the slide in the oil price, which has dropped by nearly a quarter in the last two months. Salomon Brothers' economists, peering at the outlook for inflation next year, have been disconcerted to discover that the drop in oil prices in the closing weeks of this year will make next year's inflation figures look worse, by depressing the base from which the year-onyear calculation starts.
Statistical quirks aside, the

oil price decline, if it lasts, will be a further factor, they say, in helping restrain inflation throughout the decade in the US and Japan.

Europe will benefit too, unless governments' borrowing needs slip out of control. That risk is a real one: of the big European economies, says Salomon Brothers, only the UK has yet tightened fiscal policy enough to stabilise the ratio of debt to GDP.

#### ■ No escape

Even if the Gatt talks end in agreement by Wednesday's deadline, world trade will not be out of the woods. If the US congress is to vote on the treaty as an all-or-nothing package, the participants must sign a detailed agreement by April 15 1994. Then congress could take months to come to a decision, with lots of opportunities for scares along the

Property reborn There will be several imporTotal return in local currency to 9/12/93

|            |        |       | % change o   | over period | -     |       |
|------------|--------|-------|--------------|-------------|-------|-------|
|            | ŲS     | gabau | Germany      | France      | Raly  | UK    |
| Cash       |        | •     |              |             | •     |       |
| Week       | - 0.06 | 0.04  | 0.12         | 0.13        | 0.17  | 0.08  |
| Month      | 0.27   | 0.21  | 0.55         | 0.58        | 0.75  | 0.49  |
| Year       | 3.88   | 3.53  | 7.88         | 9.19        | 13.56 | 6.75  |
| Bonds 3-5  | year'  |       | <del>.</del> |             |       | ·     |
| Week       | 0.37   | 0.20  | 0.47         | 0.55        | 2.36  | 0.86  |
| Month      | 0.39   | 1.32  | 1.14         | 0.97        | 1.25  | 2.14  |
| Year       | 9.93   | 11.49 | 13.72        | 17,48       | 25.72 | 14.48 |
| Bonds 7-10 | ) year |       | -            |             |       |       |
| Week       | 0.93   | 0.66  | 0.88         | 1,40        | 4.14  | 1.29  |
| Month      | 0.59   | 2.38  | 1.46         | 1.95        | 2.33  | 3.90  |
| Year       | 14.72  | 15.29 | 17.86        | 23,98       | 37.85 | 21.41 |
| Equities   |        |       |              | <del></del> |       |       |
| Week       | 0.3    | -1.8  | 3.0          | 2.4         | 8.4   | 1.4   |
| Month      | 1.1    | -5.7  | 7.0          | 4.8         | 9.1   | 5.7   |
| Year       | 9.3    | 11.4  | 46.4         | 31.5        | 50.0  | 25.7  |

#### Best performing stocks from FT-A World Indices in local currency to 9/12/93

|                             | Close                            | Week | MOUNT  | Year  |
|-----------------------------|----------------------------------|------|--------|-------|
| DMIB Berhard                | 2.69 M\$                         | 26.3 | 29.3   | 97.8  |
| Golden Hope Pitn.           | 3.74 M\$                         | 23,8 | . 30.3 | 80.7  |
| Banca Naz Agric.            | 3800.0 t.                        | 23.0 | 22.6   | -12.2 |
| Marriott Corp               | 9.38 U\$                         | 21.0 | 41.5   | 138.5 |
| Anglo American Corp.        | 193.5 Rd                         | 20.3 | 34.4   | 110.9 |
| Pelangi                     | 2.59 M\$                         | 20.5 | 23.3   | 103.4 |
| Malayan Banking             | 22,10 M\$                        | 20.1 | 24,9   | 110.5 |
| Island & Peninsular         | 6.05 M\$                         | 19.B | 26.0   | 72,9  |
| Berjaya Ind.                | 4.26 M\$                         | 19.0 | 36.6   | 280.4 |
| Meropiex .                  | 3.95 M\$                         | 19,0 | 21,4   | 278.2 |
| Source: Cash & Bonds - Lahm | Educine - C Nativines Securities |      |        |       |

this week - the November public-sector borrowing requirement, the figures for October's industrial production, and the inflation rate for November. One striking recent economic development will not show up in any of those figures, bowever; a shift in sectiment in the UK property market. Insti-tutional investors, largely out of property since the 1980s,

have been buying again with

gusto. One big Scottisb institution bought two sbopping centres on a single day last week.

There is no sign yet that developers are stirring from their debt-induced hibernation. Still, the recovery of investors' optimism is the first step towards a rebirth of development activity. It now seems much closer than it

Economic Eye / Martin Wolf

# Uruguay Round may be Gatt's last hurrah



For the third time, the seven-year old Uruguay round of multilateral trade negotiations is at what is supposed to be a deadline.

This time, the deadline is, we are told, a real one, honest it is. Whether or not this is the case, the round will be completed only if oegotiators believe this is true. The pressures created by

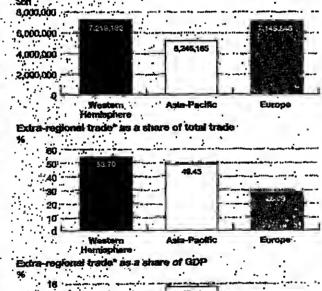
deadlines are the sole justification for what would otherwise seem an insana procedure. Why, after all, should the survival of the liberal trading system depend on whether sleepstarved trade negotiators can, like rats in a maze, reach their destination by December 15? The usual answer is that if

there were no deadline, they might still be talking a decade from now. Yet even though negotiators need to believe the deadline is a real one, it cannot be accepted as final, since the reasons for succeeding with the round would be just as strong on December 16 as two days earlier.

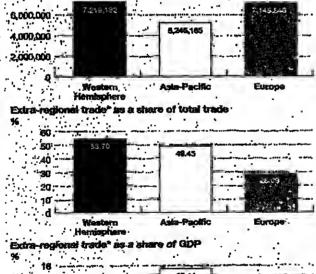
The case for success is also equally compelling for each of the world's three main economic regions, Europe, the western hemisphere and Asia-Pacific. While these regions differ markedly from one another, the chart shows that each of them has a roughly similar degree of dependence on extraregional trade (defined here as exports plus imports) in relation to their total economic

As Robert Lawrence argued in an Amex Bank Review prize essay of 1991, this is a more relevant measure of the importance of extra-regional trade to an economy than the share of extra-regional trade in total trade.\* The result overturns the conventional wisdom that Europe can afford to be the least concerned of the major regions over the success or failure of the round. By this measure. Europe's dependence on external trade is greater than that of the western bemisphere and not all that much less than

that of the Asia-Pacific region. The conventional wisdom about Europe rests on the fact that more than 70 per cent of the trade of European countries (including eastern Regional dependence on world trade, 1991



(east Asia, south-east Asia, south Asia and Australasia) is



Europe, but excluding the former Soviet Union) is with one another. By contrast, only about half of the trade of countries in the western hemisphere (north and south America) and the Asia-Pacific region

Without multilaterally lead to bitter bilateral

This contract between Europe and the other two regions partly reflects the higher degree of intra-regional liberalisation in Europe. Far more important, however, is the dominance of the US economy within the western hemi-sphere and of Japan within the Asia-Pacific. In 1991 these two

region's gross domestic prod-ucts (measured at market

exchange rates), respectively. By contrast, Europe's largest economy, Germany, generated only 22 per cent of Europe's GDP. Thus, much of what is counted as intra-regional trade in the case of Europe is interwith one another (see chart). nel commerce in the case of the US and Japan. No wonder roughly a third of total global merchandise trade was within

Europe in 1991.

The European market is as

essential to Germany as the US

market is to California. But

this does not mean that the

world economy is unimportant

either to Germany, within

Europe, or to California, within

the US. In particular, both pos-

sess technologically advanced

economies that now face the

challenge and the opportunity

created by the rise of eastern

One reason the Uruguay

round is important is that

without multilaterally agreed

and enforced rules, every trade

dispute can easily lead to bitter

agreed and enforced rules, every trade dispute can confrontation

giants occounted for 78 per cent and 64 per cent of their Another is that this may be a

final chance to create such rules, since the round is quite likely to be the last one of its A negotiation that includes so many topics and participants is dauntingly complex.

confrontation

The only thing that has made finishing it even conceivable has been the dominance of the European Union and the US.

If there are to be no more such rounds, an obvious question is what might come

which is unlikely to happen in the same way again.

If there are to be no more such rounds, an obvious question is what might come next. One possibility is liberalisation within discriminatory regional trading blocs. But this ignores the fact that the Asia-Pacific region lacks the political preconditions for successful regionalism. It also lacks the motivation.

Among the most important facts about the region is that it has both the fastest growing intra-regional trade and the fewest free trade areas. Between 1981 and 1991 the volume of merchandise trade among developing countries of east Asia grew at an average annual rate of 14.3 per cent. more than three times faster than world trade.

If it is unclear how the world might build on success, the consequences of failure are more evident. It would be a misfortune for every participant, particularly when considerable evidence already exists of the effects of increased protection in the 1980s, as Peter Sinclair of Oxford University has argued in a recent article. Exhausted negotiators, please

\* Robert Z Lawrence, Emerging Regional Arrangements: Building Blocks or Stumbling Blocks?. Finance and the International Economy: 5 (Oxford University Press, for the Amex Bank Review, 1991). † Peter JN Sinclair, "World Trade, Protectionist Follies, and Europe's Options for the

Future," Oxford Review of Eco-

Finance for Danish Industry International

Yen 5,000,000,000 Suaranteed notes due

1994 Notice is hereby given that for the interest period 13 Эесетьет 1993 го 13 June 1994 the notes will carry an interest rate of 2.60% per annum Interest payable on 13 June 1994 will amount to Yen 1,296,438 per Yen

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December 10,1993 to
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5,25 % P.A.
Next payment date:
June 10,1994
Coupon nr. 18
Amount:
USD 255,42
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Notice to Sharebolders and Warrantholders of

#### **Deutschland Investment** Corporation Inc.

Registered Office: Ugland House, South Church Street. P.O. Box 309, Grand Cayman, Cayman Islands, British West Indies

Audited Report and Financial Statements for the year ended 31st July 1993

Copies of the audited results for the year to 31st July 1993 are now available from the registered office of the company, from Robert Fleming & Co. Limited, 25 Copthall Avenue, London, EC2R 7DR and from Robert Fleming Management (Jersey) Limited, Queen's House, Don Road, St. Helier, Jersey, JE4 8PN.

9th December 1993

Notice to Shareholders and Warrant holders of

#### Czech & Slovak Investment Corporation Inc.

Registered Office: Ugland House, South Church Street, P.O. Box 309, Grand Cayman, Cayman Islands. British West Indies

> Unaudited results for the half year to 30th September 1993

Copies of the unaudited results for the half year to 30th September 1993 are now available from the registered office of the company, from Robert Fleming & Co, Limited, 25 Copthall Avenue, London, EC2R 7DR and from Robert Fleming Management (Jersey) Limited, Queen's House, Don Road, St. Helier, Jersey, JE4 8PN.

9th December 1993

#### WORLD BOND MARKETS: This Week

After last week's slightly worrying inflation numbers and speculation that the Fed would tighten policy, the market will be watching for

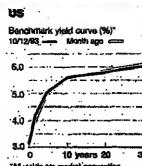
more signs that US economic

**NEW YORK** 

growth is picking up. Retail sales have been strong in recent months, but the latest monthly figures, released tomorrow, are expected to come in weaker than expected. This is because of the reports of poor sales issued by the large retailing chains throughout November. The consensus of analysts' forecasts is for a 0.5 per cent increase in sales during the month, a significant drop from the L5 per cent growth

recorded in October. Wednesday brings the November industrial production numbers, and analysts are looking for a 0.6 per cent increase in natioowide output for last month.

Although the monthly trade figures do not capture the attention of the financial markets in New York as they



Patrick Harverson

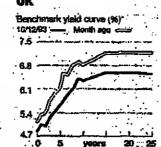
do in London, they are a useful indicator of domestic demand. Recent months have seen strong import growth and weak exports, but the trend is expected to be reversed. On Friday, the November housing starts data are due. The residential property market has been surprisingly robust in the second half of this year, but analysts believe the rate of growth in housing starts in the southern states

#### The gilts market is looking for more evidence today of subdued inflationary pressures in the UK, with the

LONDON

announcement of the year-on-year change last mooth in wholesale prices of manufactured goods. The City expects a figure of about 3.7 per cent, compared with 4 per cent in the year to October. A number close to this would fit in with the mood among bond investors that price pressures are unlikely to increase over the next few mooths. Such perceptions helped the gilt market to move up strongly last week, with prices of long-dated bonds rising about 21/4 points to follow the 3 point increase the

week before. More data about the UK's economic performance will come today with news of the volume of manufacturing production in October. The City is looking for a muted 0.3 per cent increase in output compared with September, a figure that fits in with



Peter Marsh

sentiment that manufacturing industry is steadily recovering, although fairly slowly. Heavy support for gilts from UK institutions and investors in the rest of Europe led to a successful auction of E3bn of 10-year gilts by the Bank of England last week. It was oversubscribed by a factor of two. The Bank also sold most of a tranche of £800m of assorted gilts which went on sale immediately after the

On Thursday the policymaking council of the Bundesbank meets for the last time this year.

FRANKFURT

Following the move earlier this month to set the securities repurchase agreement, or repo rate, at a fixed 6 per cent until January, the Bundesbank is not generally expected to announce further cuts in the discount and Lombard rates, now at 5.75 and 6.75 per cent respectively.

However, few economists are willing to rule out the possibility that the Bundesbank will move again on Thursday, if only because the market is not expecting such a move and the Bundesbank likes to maintain the initiative. Also on Thursday, the

Bundesbank will publish its target for growth in broad money supply for next year. It is unlikely to be substantially different from the 4.5 per cent to 6.5 per cent range set for the current year, but a much tighter band may

Benchmark yield curve (%)\* 🕳 . Month ago 🚐

David Waller

set the markets worrying abont further cuts. With annualised seasonally-adjusted M3 revised up to 6.9 per cent for October, it looks as though the Bundesbank will overshoot its target this year for the second year running. This would be embarrassing, in spite of the fall in inflation to an annual rate of 3.7 per cent in November, and the Bundesbank may be tempted

to set a tighter target band.

Speculation that the government will be forced to rely on monetary measures to belp the slumping economy due to the turmoll on the Japanese political scene, is likely to support the bond

TOKYO

market this week. Hopes of a cut in the official discount rate are mounting as the delay in the debate ove political reform and disagreement over the lifting of the country's han on rice imports among members of the coalition government, is preventing authorities from compile fiscal measures for

the economy. The damage to sentiment in the Tokyo stock market would be severe if the government postpones its announcement of additional fiscal measures widely expected this year, and could force the Bank of Japan to ease money market rates. Bond market investors expect the No 157 10-year benchmark bond, which fell through 3.2 per cent last week, to test the

Benchmark yield curve (%)" ■ Alionth ago 👄 4.5

Emiko Terazono

3 per cent level over the next few weeks. Such expectations are supported by further evidence of a worsening outlook for the economy. Following last week's Tankan – the Bank of Japan's quarterly report of business sentiment - which indicated weaker business confidence, economic indicators released this week are also likely to indicate the likelihood of lower long-term

#### Capital & Credit / Antonia Sharpe

# Salomon Brothers regains its ranking

When the Treasury auction scandal hit the headlines in 1991, everybody in the Euro-bond market believed Salomon Brothers had been dealt a fatal

However, to the dismay of its competitors, in less than two years the US investment bank is back in favour with the higgest and most prestigious borrowers in the Eurobond mar-

These have included the Republic of italy's \$5.5hn offering of global bonds, the largest global bond offering and capital markets transaction to date: the first Eurosterling offering for Depfa, Germany's largest mortgage bank, which raised £500m; and the World Bank's DM3bn offering of global boods, the first global bond offering denominated in

D-Marks. Having fallen as low as 16th place in 1991 because of the drop-off in husiness, Salomon Brothers is likely to eod this year in sixth position, the ranking which it held in 1990. it has also nearly doubled its market share - from 2.4 per its cross-border trading and



Steven Tye: conscious of pockets of scepticism cent in 1991 to 4.2 per cent this

year - according to IFR Securities Data. The irreversible trend towards a global market has certainly belpsd Salomon Brothers to recover its position in the market. issuers wanting

to broaden their investor base

and diversify their funding

sources have been attracted by

distribution capabilities, as well as its in-depth knowledge of the various currency sectors in the Eurobond market.

They give us a well-rounded picture and they can mobilise resources quickly on the new issue side." says an official at the Province of Octario, for whom Salomon Brothers has lead-managed three out of four US dollar global bond offer-

However, It appears that it was not only Salomon Brothers' tradiog muscle which pulled the firm back from the brink, but also a fundamental change in the way the firm wants to do business. Galling though it was at the

time, the scandal was probably one of the best things to hap-pen to Salomon Brothers. This is because it was able to use those lonely months which followed to assess bow to rebuild the firm's credibility and get rid of the hrash image which developed during the second half of the 1980s.

"The scandal turned out to be an amazing and cathartic opportunity," says Mr David



David Karat: keen to promote Salomon's new image

Karat, head of Salomon Brothers's deht capital markets group in London. He had only joined in 1990 to beef up the firm's primary fixed-income business. At that

time, its investment banking divisioo had virtually abandoned its coverage of borrowers in the Eurobond market and was concentrating instead on mergers and acquisitions.

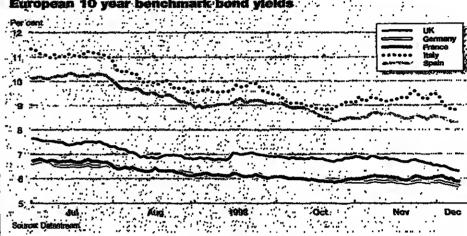
Apart from his bright blue braces, the 42-year-old English lawyer turned investment hanker could not be more different from the characters immortalised in Liar's Poker, the best-seller about Salomon

Brothers. Softly-spoken and urbane, Mr Karat goes to great lengths to promote Salomon Brothers' naw, chastened image. The words "relationships" and commitment" crop up frequently when he talks about the firm's future.

Mr Steven Tye, who joined Salomon Brothers as 8 money market trader in 1983 and who is oow head of the fixed-income syndicate in London, is conscious of the pockets of scepticism which remain in the

He is the first to admit that over the years Salomon Brothers did not think twice about pulling out of markets when they lost their attractions. However, be believes that the firm's philosophy has changed and that it wants to make up for the short-termism of the past.

#### European 10 year benchmark bond yields



| * N          | 1700       |       |         | 1.5        | • •    | USA' |                   |     | Escour | 1    | Ger  | many |         | France | e.       |   | hily  | ٠.       |     | UK    |
|--------------|------------|-------|---------|------------|--------|------|-------------------|-----|--------|------|------|------|---------|--------|----------|---|-------|----------|-----|-------|
| Discount     |            |       |         | 44.4       | 3.4    | 3.00 |                   |     | 1.75   | 1.1  | . 5  | 76   | • • •   | 7.00   |          | 6 | 00    | <i>.</i> |     | 5.50° |
| Overhight .  |            |       |         | 11.0       |        | 281  | 3.2               |     | 2.60   |      | . 18 | .00  |         | 8.6    |          | 1 | 25    | Ξ.       |     | 5.76  |
| Three mont   | h          |       |         |            |        | 3,12 |                   |     | 1.90   | 100  | 6    | .80  |         | 6.3    |          |   | 43    |          | ∵   | 5.25  |
| One year     |            | 3.0   |         | 4.45       | 4      | 3.01 | <i>,</i> ,        |     | 1.75   |      |      | 13.  |         | × 6.50 |          |   | 184   | Ξ.       |     | 4.94  |
| Five. year   |            |       | 2.3     | . 7:       | .437   | 3.10 |                   |     | 2.22   | . 16 | . "5 | .12  | • .     | 6,2    | <u> </u> |   | 1.87. | ٠,       |     | 5.63  |
| Ten year     | /:         |       |         |            |        | 5,68 |                   | ::= | 3.96   | •    |      | 45   | -       | 5.8    |          |   | 194   |          | Ξ   | 6.35  |
| (U france Te | DO-INAL TO | UNGER | o man . | louiding f | to the | i .  | / <del>*</del> := | : 7 |        |      | ***  | 52.  | . 7 . 5 | 12.7   |          |   | . 7   | ;        | · . |       |

\* US, TREASURY BOND FUTURES (CET) \$100,006 32nds of 100%

International / Richard Waters

US junk bonds stay on the level

| Ξ.  |        | . · · . | Open .    | Sett or | o <del>¢</del> , |            | - High | Low         |       | Eat, vol. |     | Open int. |
|-----|--------|---------|-----------|---------|------------------|------------|--------|-------------|-------|-----------|-----|-----------|
| Dec |        | ٠.,     | 117-15    | 116-2   | 4                | ·10:28 ··· | 117-30 | 110-23      |       | 11,331    | •   | . 58,876  |
| Ма  | 1,     |         | " TIO-IN" | 115-1   | 71 3             | -027       | 110:23 | . 135-15    |       | 372,156   |     | 238,334   |
| Jun | 2.7.15 |         | 115.14    | 1.4.1   | 5                | 0.28       | 115-20 | 1,134~30    |       | 780       | d.  | 9.788     |
| Sep |        | 14      | 114-14.   | 118-1   | В                | 0.28       | 174-19 | " :::113-47 |       | 517.      | •   | 14,222    |
|     | 127 3  | . 7. 1. | **        | m       |                  | 10.00      | 7      |             | . * * |           | . • |           |

# UK GILTS PRICES | Shorts\* | Albest up to Five Years| | Shorts\* | Shorts\*

3,700 AuC1 H37 15,7 123,5 5,550 M17 15c1 26,7 1341 830 Au27 0c27 20,9 1259 3,550 3,19 3,43 3 145,123 1,550 M330 Seg0 24,8 -1,600 M330 Seg0 24,8 -1,600 M330 Seg0 24,8 -1,200 M37 My1 27,9 1331 970 M322 My22 18,10 1308 0.05 170 0.06 170 4.8 1330 Other Fixed Interest 2.3.8 2.3.9 Other Fixed Interest 2.3.8 2.3 359 Fel Aul 1,909 Jel Del 119 Apl Oct 56 Acc Oct 276 SJafeptyOc 475 Apl Oct 562 5244 691) 404 3744 383

likely to top \$75bn. sub-investment grade bonds have proved so popular. The

sharp retreat in bond prices in October and November did littal-raising in a market which grew at a record rate this year. Yet, how vulnerable would it be to a jump in sbort-term The primary junk bond mar-

ket has been thriving all year; with the pace of new bond issues still continuing strongly, the total sold for this year is It is not difficult to see why

of bond-market volatility. A

US yield curve may have flattened with falling long-dated hood yields (the spread between three-month and 10year notes began the year at 354 basis points and is currently at 264 basis points), but with three-month rates little over 3 per cent, that still repre-

The US corporate junk bond market has proved remarkably stable during the recent period some sents a considerable pick-up. Also, yield spreads on jun bond issues have remaine Also, yield spreads on junk bond issues have remained roughly constant through the year, at 200-400 basis points for a double B credit and 400-600 yield mutual funds, basis points for a single B. The remainder effect of 3 per cent short rates is to magnify the attraction of these premiums: wby invest sbort-term for next to nothing

when a junk bond fund is yielding 9 per cent or more? Against this background, the bond market's slight attack of nerves earlier this autumn caused little concern. At the beginning of September, the bonds in Merrill Lynch's subinvestment grade index yielded 437 basis points over 10-year Treasuries: by the beginning of

December, that spread had falleo to 398 basis points. Specialist mutual funds have heen the main huyers, although the high yields available have attracted a far wider range of investors than is gen-

erally perceived. Of the \$75bn

of bonds issued this year, roughly a third account for refinancing of old issues. Of the rest, around \$15bn represents new money from high-

The remainder has bought by a broader range of equity and investment-grade bond funds looking for a kicker to hoost their yields this year. Also, money managers handling pension plans are reported to be showing an increasing interest. This all suggests that the market has developed a broader base this

year, giving it greater stability.
it has also developed a broader platform of issuers and intermediaries. A number of commercial banks, including Citibank, Chase Manhattan and Chemical, have joined the growing list of investment banks in the market. The aim is to give customers access to credit markets as well as to bank leoding, says Mr Nick

Daifotis, head of high-yield

Account Coupon Yield Launch
eq. Malurity % Price % spread bo

debt at Chase, which this month led its first junk bond

But how vulnerable will this market prove to a risa in short-term rates? Junk bonds equities: an Improving economy and low short-term interest rates boost the perceived credit quality of lunk bond issuers, helping them to outperform investment grade

paper. During September, fully a 10th of all outstanding junk bonds - led by carmaker Chrysler - were reclassified by Moody's as investment-grade, says Mr Martin Fridson, a junk bond expert at Merrill Lynch. There's a substantial equity component [in junk]," he says. That suggests these bonds would be susceptible to the same forces on the downside as short-term rates could hit sub-

investment grade paper with

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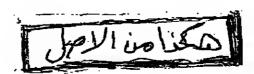
For further information please contact: Timothy J.H. Fox, Vice President and General Manager



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**NEW INTERNATIONAL BOND ISSUES** 



#### **NEW YORK**

#### Investors keep their feet on the ground

The New York Stock Exchange trudged ahead last week, leaving the Dow Jones Industrial Average at an all-time high of 3,740.67, for a gain of 36 points on the week. But few investors are ready to kick up their heels, even though the air is thick with glad tidings on the economy. The advance was narrowly based and small-capitalisation technology issues on the Nasdaq were battered.

Ironically, the subdued mood is perhaps the best reason of all to celebrate this Christmas. Over the past month, analysts say the market has plodded along without stumbling largely because its abiding caution has restrained any temptation to sprint ahead of itself.

After the November downturn, Wall Street is still haunted by "fear of give-back," as Mr Eric Miller, chief investment officer at Donaldson Lufkin & Jenrette in New York, puts it. That fear has subsided over the last formight, thanks to the rebound in bonds. "But it hasn't been replaced by any firm conviction either," he

For many, the market is just too good to last. Amid the longest rally without a 10 per cent correction in the market's history, the hand-wringing intensifies with each

However, investors need not trawl through the annals to find grounds for scepticism over the market's durability. In the fourth quarter of last year, economic growth exceeded 4 per cent, only to fall back to anaemic levels in the first half of 1993. With all indicators pointing to growth of 4 to 5 per cent in the current quarter, the market can be forgiven for feeling a sense of deja ou this Christmas.

the leve

Dax 26.18 21 248

#### LONDON

Frank McGurty

370.

Nevertheless, the blue chips are

suddenly loses its bottle. But US

likely to keep plodding ahead, unless the newly-resilient bond market

Treasuries, which held fairly steady

last week in response to favourable

data on November producer and consumer prices, should offer less

distraction for equities this week

believed to have closed their books

no market-moving readings on the

significant - shift in the sentiment

continued concern over the high valuation of stocks and mounting

Last week's activity suggests

equities are just beginning to decouple from movements in the

bond market for the first time in

of research at Argus Research in

That time, he says, may have arrived. Last week, the Dow was

strong because of gathering strength of cyclical stocks. That suggests a

tilt towards longer-term confidence

in the economy. Advances by paper,

lagged the rest of the market over

the past year, were encouraging.

INDICES AT A GLANCE

Consumer Charge

Circumstance Charge

Circumstance

metal, car and chemical stocks, which

many months. In every bull market, says Mr James Solloway, director

New York, "there comes a time when

you can no longer depend on low-interest rates to bring stock price

apprehension about a rise in

short-term interest rates.

increments".

Banca Com 1647 1563112 1560 1677 1697 1697 16 63286 30/8/93

may be under way, despite investors'

economy were due out this week.

In turn, a small - perhaps

for big trades until the new year and

and next. Most institutions are

#### Surprises lurk in extended trade account

The Christmas season opens formally on the UK stock market this morning with the traditionally extended equity trading account which covers the holiday period. This week, far from offering opportunities for relaxing lunches and evening parties, could deliver further surprises.

The extreme squeeze on positions at the big marketmaking houses, following a rise of nearly 6 per cent on the FT-SE 100 Index over the Budget account - and a not dissimilar performance on the FT-SE Mid-250 Index - has not been significantly relaxed.

Quite apart from inflicting further pein on marketmakers' pockets, the prolonged squeeze implies that share prices will be forced sharply higher if US and continental European funds hit London again this week.

The squeeze has shown itself most strongly in the banking sector, where account gains in Lloyds, Barclays and above all in Standard Chartered. range from twice to more than three times the gain on the market. to cut prices to attract stock were brushed off by investors also determined to pick up what they saw as cheap shares. The second technical factor making

for a perilous market this week will be the expiry on Friday in stock index futures. The December contract on the Footsie has made the running since its sudden recovery just ahead of the Budget disclosed that the big investment funds, at home and overseas, were taking a positive view of UK equities.

The December contract has to be at parity with cash at around 10.15am on Friday; indeed, by rights, it should have been there by the end of last week. Fund managers have been

High: Low

439.9 2.175.80 9/12/93 1.469.75 14/12/92 2:175.80

404.25 15/12/92

3.20 38 17 10 8 17 10 6 1445 3.207.4 8/12/93 27/162 11/12/92 3,277.4 8/12/93

374087 3740.67 10/12/93 3,241.95 20/1/93 3,740.67 10/12/93 3,241.95

#### OTHER MARKETS

#### FT-A All-Share index The successful passage of the Gatt Sachs cautions that last-minute the rush to meet Wednesday's

December 1993 Source: FT Graphits

**EQUITY MARKETS:** This Week

👔 Terry Byland

rolling futures investment forward into the March contract, but the specialists believe that around half of the 40,000 or so existing open contracts have still to be rolled forward.

With March moving to a strong premium against the cash market, as well as against its fair value calculation, this futures settlement looks like another pistol at marketmakers' heads. To make matters worse, many arbitrage positions between cash and futures remain open; fund managers are effectively kept out of arbitraging by stamp duty costs, so the big marketmaking houses will again

bear a heavy share of this burden Broader factors which could set London alight include any move on interest rates at the Bundesbank council meeting on Thursday, or the more likely announcement of a favourable ending to the Gatt world trade talks. The UK stock market followed European markets closely last week and the arrival of lower interest rates in Germany, although hardly unexpected, would make a fine Christmas present for Footsie followers.

This focus on the blue-chip stocks should not distract from the second-line issues. The FT-SE Mid-250 Index is largely free from the influence of the stock index futures market and has risen to new peaks as investors search for the leaders in a stock market still firmly fixated on growth.

2,737.6

1,516.50

1,772.21

446.33

13/9/93 16,2078.7

19/1/93

29/1/93

trade agreement this week is already factored into the markets. However, Mr Sushil Wadhwani of Goldman compromises in the fine print during deadline means there is still scope for disappointment.

#### FRANKFURT

The Bundesbank council meets for the last time this year on Thursday when it will set M3 targets for 1994. Hopes that the opportunity will also be taken for another cut in the discount rate are viewed by analysts

as unlikely to be fulfilled. Viag's extraordinary shareholders' meeting tomorrow should clarify the merger conditions with Bayernwerk,

Nine-month figures from Daimler on Wednesday are expected to show a DM2bn (\$1.10bn) loss, after the DM949m deficit at the half-year stage. MAN holds its annual meeting on

Thursday. November wholesale prices, due this week, are expected to decline by 0.1 per cent, continuing the process of disinflation of recent months.

#### MADRID

Underlying inflation figures for November, due on Wednesday, are expected to show a fall to 5.2 per cent, from 5.3 per cent in October. However, James Capel expects beadline inflation to rise to 4.9 per cent, from October's 4.6 per cent, reflecting a limited fall in fresb food prices a year ago.

#### MILAN

Industrial production figures are due this week. UBS forecasts a 1 per cent decline in October, noting that recent surveys continue to point to falling production in the final quarter

#### TOKYO

A volatile week is in store, dominated by short-term dealing ahead of the winter holidays. Economic figures this week are unlikely to provide surprises, with investors instead continuing to focus on political developments, including negotiations over tax cuts and other fiscal stimulus measures.

#### **HONG KONG**

China's reaction will be awaited on Wednesday when Governor Chris Patten tables the partial Bill containing some of the less controversial elements of his democratic reform plans to the Legislative Council

#### RISK AND REWARD

## Joy on hold until December contract expires



looms, a fund manager's thoughts often turn to locking in profits. Endof year bonuses always set

especially this year, when dividends and share price rises in the London market have provided a combined return of around 20 per cent. If anything untoward happens between now and the end of the year it will be too late to repair the damage, and investors and traders are beginning to feel the need to

squirrel away their gains. Consequently, there will be a sigh of relief after this week's all-important expiry of the FT-SE 100 futures contract for December, By 10.30am on Friday, the quarterly miracle will have occurred: the price of the contract will match the price of the underlying stock market and the contract will expire. However, four full trading days before expiry, some dealers feel a real miracle will be needed. The December contract has experienced sharp rises, a surge of overseas buying, and big movements in technical factors such as premiums and

The futures market operates either as an easy way into the stock market or as a bedge against potential losses. Institutions such as pension funds or insurance groups buy a basket of shares representing the FT-SE 100 index, and marketmakers who sell those shares will buy futures to cover themselves.

open interest.

In a perfect world, the futures contract has a nominal value slightly above the FT-SE 100 index. This "fair value premium" represents the interest that would bave been earned from having funds in the bank, minus the cash that would have been lost in terms of dividends. If the premium moves away from fair value, arbitrageurs will capitalise on the spread. For example, if fair value is 10 and the futures contract moves to a premium of 20

As Christmas the "arbs" will sell the futures contract and buy the cash mar-

Large UK institutions have discovered the appeal of buying futures first and picking up the shares later.

Also, US investors have poured money into European markets this year and have often used the futures markets as their point of entry. Dealers estimate that US institutions. which are much more aware of the potential of derivatives markets than their UK counterparts, represent half the business in the London con-

The appeal of the futures market was underlined after the Budget. Investors funnelled cash into the London stock market. Such was the demand that buyers were unable to obtain equities and bought futures contracts instead. When there should have been no premium, according to most dealers' calculations, the futures contract was some 30 points higher than the stock-

Mr Nigel Croft, derivatives analyst with Kleinwort Benson, says: "We haven't seen the futures at such a high level for the wbole of this year and most of last. Once it starts to go we could see it fall very quickly.'

The demand is highlighted by the exceptionally high level of open interest, a figure that represents both the number of long positions and the number of short positions in the market. By the close of dealing on Friday there were still around 45,500 open positions.

That figure must be closed ont by Friday morning. Long-term investors will let the contracts expire and collect stocks.

With the stock market near its record high, it could take astute salesmanship to persuade some funds to add to their weightings, and the pressure to settle is expected to result in a volatile market. There is still a lot of shuffling

Peter John

#### November 1993

This announcement appears as a matter of record only.

Niklosi 225 17 237-13 18 15 148 21 148 11 13/9/93 16/078.71 29/1/93 21,148.11

CAC 40: 27 2 206 35 2 242 242 248.3 2.231.86 22/10/93 1,735.23 17/12/92 2,231.86 22/10/93

# LAPIS HOLDING A.S. and OIL CAPITAL LIMITED INC.

have acquired production rights

TURKMENISTAN

defined as

Block I: Gubkin-Livanov

which will be operated henceforth as

#### LAPIS OIL CAPITAL INTERNATIONAL INC. "LOCI"

The undersigned acted as advisor on this transaction



TÜRKIYE TURIZM YATIRIM VE DIS TICARET BANKASI AS.

TYT FINANCE CENTER, MASLAK MEYDANI BUYUKDERE CAD. 37, 80670 AYAZAGA, ISTANBUL - TÜRKIYE

Istanbul - Turkey

November 1993

This announcement appears as a matter of record only.

# LAPIS HOLDING A.S. and OIL CAPITAL LIMITED INC.

have acquired production rights

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defined as

Block III: Kotur Tepe

which will be operated henceforth as

#### LAPIS OIL CAPITAL INTERNATIONAL INC. "LOCI"

The undersigned acted as advisor on this transaction



TURKIYE TURIZM YATIRIM VE DIS TICARET BANKASI AS.

TYT FINANCE CENTER, MASLAK MEYOANI BUYUKDERE CAD. 37, 80670 AYAZAGA, ISTANBUL - TÜRKIYE

Istanbul - Turkey

# Turkey's market goes electronic

It was billed as Turkey's very own Big Bang. Friday December the 3, and Mrs Tansu Ciller, the prime minister, was to inaugurate the new screenbased trading floor of the Istanbul Stock Exchange, swinging the gong to open the two-hour

If things bad gone to plan, the first trades would have started, as usual, at 10.30am, But what with traffic congestion on the Bosporus waterfront, and the crush of Mrs Ciller's numerous admirers and her equally well represented security officials, time slipped by.

Indeed trading opened 10 minutes late - for the first time in the exchange's history. More than that, Mrs Ciller placed an order for sbares in a local porcelain company - spe-cially chosen by exchange experts - only to see the stock plummet, with ber modest onelot holding registering a TL600

loss at end of the day. Turks are not known for some in the broking fraternity could be forgiven for thinking change in the market's fortunes after a remarkable year in which Istanbul has outperformed almost all the world's emerging markets, according to the International Finance Corporation, the affiliate of the

The Istanbul market's composite index closed last Friday 234.8 lower at 17,951.9, down 1.7

per cent on the week but up by more than 350 per cent on the year so far - in local currency terms. Measuring gains in terms of the US dollar merely halves the market's rate of climb. Average daily trading is running at about \$83m, after a record high on November 30 of

\$219.9m. The index has been driven higher by strong domestic demand, and an expansionary fiscal and monetary policy. Regulatory changes have also been introduced to encourage mutual and other funds to invest in equities, providing the market some badly needed

liquidity. Analysts say the stock market still has some way to go to catch up with the real levels attained in 1990 before Saddam Hussein's tanks rolled into Kuwait, and knocked equity markets sideways around the

But brokers are concerned that with a price earnings ratio of over 20, chares have already been marked up to reflect the buoyant activity of the economy, which is growing at an estimated 8 per cent in 1993. Turkey's capital markets have deepened considerably in recent years. The fixed interest market, which was only

started in June 1991, now averages a daily volume of \$44m. Asset backed securities have become particularly popular with banks with consumer lending expoeure, allowing them to increase their liquid-

Ten best performing stocks Land & Houses 24.24 Shinewaira Computer Goldster 27.81 3.01 S.Korea Brazil 56.60 8.81 54.62 8.82 Malayan Banking Michaniki C.P. Feeonil Hellas Can

activity.

Insurance companies, in

many countries the ballast for

the equity market, retain an

aversion to invest in stocks,

which account for harely 10

per cent of the total TL5,000bu

under management. Lehman Bros Securities in London esti-

mates that 38.9 per cent of total

pre-tax profits of the leading

500 companies, has derived

from income generated from

transaction - a direct function

of Turkey's high inflation; now

around 65 per cent - is

unpopular, particularly with

overseas investors. However, a

growing volume of business is

The equity markets face

non-operating activities.

ity. There is even talk of allowing banks to issue commercial

But the broking community is looking for a new impetus from the government, Istanbul, like many emerging stock markets, still has a narrow investor base. Many privately owned companies remain reluctant to dilute ownership by going to the market for equity finance, although changes to allow the issue of non-voting stock may ease this bottleneck.

The hourse remains shallow. Some 150 companies are traded, although a much larger number have listed for the tax advantages. The free float is around \$5bn compared with the market capitalisation of closer to \$30bn.

now conducted through a centralised depository system for settlement and clearance. Moreover, Turkish equities have suffered in the shadow of Together with the move to the fixed interest instruments Government issues of bills and electronic dealing, this will bonds account for close to 70 help to foster greater transparper cent of capital market ency, and encourage the big

Tax changes bave been

designed to give breaks for mutual funds investing in equities. A new package is now before parliament, which includes proposals to reduce the corporate tax rates for companies going public.

The market is also waiting to see if the government will stick to its undertaking to its European trade partners to lower import tariffs further in 1994 as Turkey prepares for a customs union with the European Union in 1995.

Customs union could have a dramatic impact on the profitability of companies in the auto and white goods sectors, which enjoy high protection in the domestic market. However, a renewed commitment from the government to meet the deadline could also encourage a spate of new issues as companies look to raise equity finance to pay for new invest-ment in technology – the only way many groups will be able to compete with cheaper technical burdles too. The need to settle within 24 hours of a

imports. With Mrs Ciller committed to more radical privatisation, brokers are looking anxiously at the market's ability to absorb a spate of new stock, without the arrival of large institutional

investors. The central problem is that while budget expenditure rises, the government's own need for funds will continue to divert money away from the equity

Conner Middelmann

#### Venezuela

Venezuela's new president-elect, Rafael Caldera, unsettled the market in the country's Brady bonds in his first post-election press conference writes Stephen Fidler in Caracas. He said that Venezuela recognised its obligation and would not renege on them, but said that the debt schedule was especially burdensome in 1995

and 1996. He added that the current weakness of oil prices "constituted a new fact that has to be considered by our creditors". If Mr Caldera does think he can renegotiate the debt, it may be more difficult than he recognises: the Brady bonds are far more widely spread out among banks and private investors than the old bank debt it replaced.

#### Lebanon

The Lebanese government is delaying plans to raise \$300m. (£201m) for reconstruction work in Beirut by issuing Eurobonds. It said that it hopes to obtain more favourable terms in the new year.

Some analysts said they thought the issue had been postponed so that the reception of the \$650m equity offering of Solidere, a \$1.8bn property company set up to rebuild the centre of Beirut, which closes on January 10.

#### Indonesia

Baring Securities newly-arrived Aslan strategist Alan Butler-Henderson has been setting out his thoughts

**News round-up** 

in London. Mr Butler-Henderson has a standing forecast of 15,000 for for the first time. the Hang Seng index in 1995.

#### but he likes Indonesia best for 1994, forecasting a gain in the Jakarta market of 64 per cent from end-November 1998 to

December 31 next year. Brazil The country's privatisation programme has hit a problem

after the government admitted

failure in its attempt to sell

petrochemical group Petroquimica União (PQU). At an auction last week only some 5m of the 50m shares on offer had attracted bidders. The privatisation had already been postponed five times.

Bombay Foreign stock brokers have been given permission for the first time to operate in the country on behalf of overseas funds. Four firms, James Capel, Marlin Partners. Kleinwort Benson and Credit Lyonnais Securities, will operate on behalf of funds which have invested up to \$660m over the past year. Last year India allowed a

small number of foreign

institutional investors to invest in its 22 stock markets

#### Shanghai

Chinese authorities, concerned at the disappointing performance of the B share market open to foreign investors, are thought to be planning measures to boost activity. The B chare market has suffered from weak prices and sluggish turnover, while H shares issued by Chinese companies in Hong Kong from last summer have been performing very strongly

#### Taiwan

High-technology companies in 10 industries are to be included in the list of lower-requirement categor C shares, in an effort to help the companies to raise funds. Category C companies will require a minimum peid-in capital of T\$200m and a net asset value not below two-thirds of their capitalisation.

 Further coverage of emerging markets appears daily on the World Stock Markets page.

#### **CURRENCY MARKETS**

# Dealers wait for Gatt and Bundesbank

The Uruguay Round of the General Agreement on Tariffs and Trade (Gatt) and Thursday's meeting of the Bundes hank's central bank council will hold foreign exchange dealers' attention this

Financial markets have broadly discounted a successful conclusion of the Gatt talks by Wednesday's deadline. An agreement is seen to promote trade liberalisation, leading to lower prices, while a failure is perceived to lead to protectionism and inflationary pressures. While an agreement has been largely priced in, its confirmation is expected to trigger a brief fillip by bond

On Thursday the Bundesbank should unveil its M3 money supply growth target for 1994 amid speculation that this will be accompanied by another cut in key interest rates, It recently set fixedrate securities repurchase agreements at 6 per cent through the first week of January, widely quelling hopes for fur-ther rate cuts before the year-end. However, some analysts still feel the Bundesbank may cut its 5.75 per cent

discount rate before the new year. A December discount rate cut could damp speculative pressures early in the new year, noted Ms Alison Cottrell, European economist at Midland Global Markets, Moreover, "a cut might be

easier just ahead of November M3 and the passage of the 1994 Budget on December 17 - assuming both are satisfactory to neutral - and coincident with the announcement of a lower M3 target for 1994, than it would closer to January's tax-bloated cost of living figure,"

Amid continued easing hopes, the D-Mark is likely to remain soft against most of its hard-core counterparts in Europe's exchange rate mechanism. However, few analysts expect to see a continuation of last week's befty gains by these currencies, notably the French franc. The Bank of France's perceived reluctance to cut interest rates indepen dently of the Bundesbank, its continued

FT GUIDE TO WORLD CURRENCIES

need to rehuild foreign currency reserves and the patchy French recov ery are likely to cap the franc's upside against the D-Mark, analysts say. Meanwhile, a setback for reformist parties in the Russian elections could

D-Mark likely to be most hit. The US dollar may be shaken by a raft of economic data due this week which might give it the awaited push through key resistance at DM1.7250.

cause some currency volatility, with the

Sterling is expected to trade in a narrow range around DM2,55 before Wednesday's November inflation figures, though rate-cut speculation is likely to underpin the currency.

US S D-MARK

| Index             | 10/12/93 | Week on week<br>Actual | Percent | Month on month<br>Actual | Percent | Year to date<br>Actual | moveme<br>Perce |
|-------------------|----------|------------------------|---------|--------------------------|---------|------------------------|-----------------|
| World (239)       | 151.79   | +6.18                  | +4.24   | +16.29                   | +12.02  | +50.73                 | +50.2           |
| Latin America     |          |                        |         |                          |         |                        |                 |
| Argentina (19)    | 104.7    | +5.94                  | +6.01   | +5.94                    | +6.01   | +30.52                 | +41.1           |
| Brazil (18)       | 130.97   | -0.89                  | -0.68   | +1.87                    | +1.45   | +53.06                 | +68.            |
| Chile (12)        | 128.41   | -0.65                  | -0.50   | +5.19                    | +4.21   | +17,12                 | +15.3           |
| Mendoo (22)       | 148.94   | +6.06                  | +5.72   | +30.89                   | +26.16  | +31.20                 | +26.            |
| Latin America (71 | 137.99   | +5.39                  | +4,06   | +18.25                   | +15.24  | +37.63                 | +37.            |
| Europe            |          |                        |         |                          |         |                        |                 |
| Greece (14)       | 84.95    | +2.31                  | +2.79   | +7.28                    | +9.37   | +14.80                 | +21.            |
| Portugal (13)     | 112.72   | +1.42                  | +1.27   | +1.18                    | +1.06   | +28.71                 | +34.            |
| Turkey (22)       | 141.61   | -1.12                  | -0.78   | +18.08                   | +14.64  | +87.74                 | +162.           |
| Europe (49)       | 108.85   | +1.22                  | +1.13   | +7.18                    | +7.05   | +38,73                 | +55.            |
| Asia              |          |                        |         |                          |         |                        |                 |
| Indonesia (17)    | 155.37   | +0.32                  | +0.21   | +0.49                    | +0.32   | +57,92                 | +59,            |
| Korea (23)        | 108.60   | +11.27                 | +11.64  | +12.74                   | +13.36  | +19.44                 | +21.            |
| Malaysia (21)     | 226.22   | +10.60                 | +4.92   | +21.44                   | +10.47  | +97.19                 | +75.            |
| Philippines (9)   | 249.20   | +10.13                 | +4.24   | +21.84                   | +9.61   | +126.74                | +103.           |
| Theiland (20)     | 244.21   | +20.24                 | +9.04   | +20.83                   | +9,37   | +121.95                | +99,            |
| Taiwen (29)       | 108.58   | +1.75                  | +1.87   | +12.47                   | +13.25  | +30,62                 | +40.            |
| Asia (119)        | 192.91   | +10.36                 | +5.68   | +17.67                   | +10.08  | +80.32                 | +71.            |

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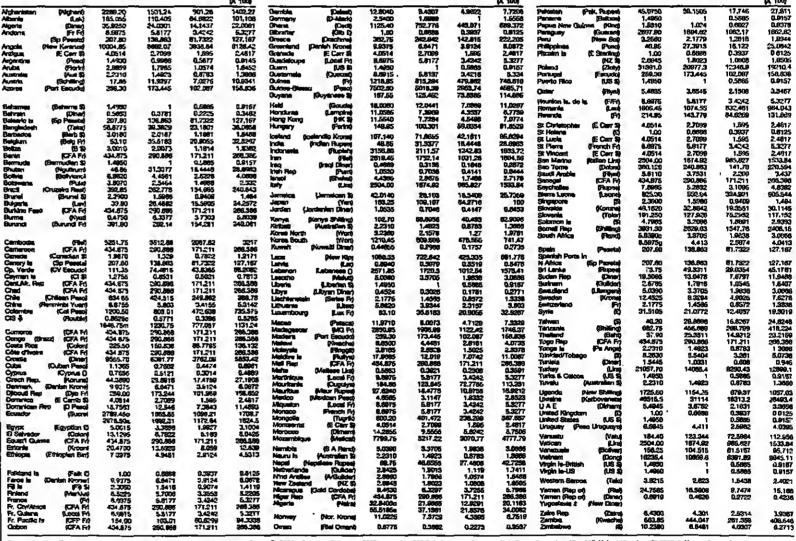
Australia and New Zealand

Floating Rate Notes due 1994 tice o hereby given that for the litterest Period 10th December O to 10th March, 1994 the Notes will carry a Rate of Interes of 3.6875 per cent, per annual with an Amount of Interest of U.S. 592-19 per U.S. 510,000 Note. The relevant Interes

Bankers Trust Company, London

Agent Bank

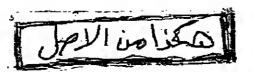
U.S. \$750,000,000 Lloyds Bank Plc Primary Capital Undered Floating Rate Notes (Series 1)
For the six months December 13, 1933 to June 13, 1994 the Notes will carry an interest rate of 3.6875% per annum, with a Coupon Amount of U.S. \$188.42 poyable on June 13, 1994.





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# OIL AND GAS INDUSTRY

Monday December 13 1993

ood swings are nothing new to the world's oil and gas industry. Its history is writ large with extreme movements in prices and a supply situation that can fluctuate rapidly hetween shortfalls and surplus.

To some observers the 20 per cent slump in oil prices this year may be seen as merely a temporary hlip. Advocates of this argument say demand and supply is nearly in balance, and that oil prices are likely to edge back up to average \$17-\$18 next year. The most recent price falls, they believe, reflect over-nervous financial markets, which have reacted badly to persistently low demand in the main consuming countries at a time of particularly plentiful oil supplies.

But others warn that today's depressed prices may be just the first phase of a deeper col-They note that crude oil

prices have fallen by an aver-

age of 9 per cent a year since

1991, with few positive factors on the horizon. Traders are beset with reasons why oil prices could fall further. There is the prospect of even greater amounts of oil becoming available next year from a resurgent North Sea

and other producers outside the Organisation of Petroleum Exporting Countries. There is also considerable. scope for market volatility in the run-up to the re-emergence of Iraqi cil exports, possibly as early as the second half of 1994 if Baghdad meets United Nations demands over the long-term monitoring of industry with military potential.

Pessimistic observers say such conditions could even prompt the benchmark Brent Blend to fall below \$10 a barrel - a level last seen in the price collapse of 1986 - although in real terms prices are already at

The major oil companies had been scurrying off in search of new supplies of relatively cheap oil. That search has been fuelled by the opening up in recent years of large parts of the world previously out-of-bounds to the industry, including the former Soviet Union



# Oil production

# Gas becomes the jewel in the crown

But much of the industry's current capital spending is still concentrated in well-known

This is due in part to the application of new seismic and drilling technology. This is occurring both in new areas, just being opened to exploration, as well as in mature regions such as the North Sea and the Gulf of Mexico, whose original development can be traced to earlier periods of high oil prices.

Such techniques are being used by both the major companies and a growing band of independents to add substantially to the life of many existing fields and producing

Such strategies have the added benefit of maximising the investment made over the years in costly infrastructure such as platforms, pipelines and terminals. For the big integrated oil companies, however, the recent decline in oil prices and the knock-on effect on their share prices has taken

Oil prices, which fell 20 per cent this year, may suffer even steeper falls once Iraq comes back on stream, writes Robert Corzine. But gas; once the oil industry's poor relation, is now the star performer much of the gloss off such Union are in their early stages

are so far relatively small.

That could soon change, bow-

ever, as projects in those areas

Suddenly the themes put for-

ward by both the US and European majors and which so impressed the markets earlier this year - successful reductions in overheads and e renewed focus on core busiconvincing. Sceptical investors wonder what will happen to the majors' cash flow if average prices next year are closer to the current level of \$14 a barrel, rather than the \$18-\$20 a barrel to which a number of

adiusted. Weak oil and share prices would also affect the search for ever-cheaper and bigger reserves in the world's frontier

companies have successfully

Exploration efforts in remote areas of China and the countries of the former Soviet

margins, while the recession in The majors heve committed large amounts of skilled mandampen final demand. power, but their capital costs

become serious competitors for scarce development funds, say The scale of such undertak-ings is illustrated by a recent estimate by Chase Manhattan Bank that western companies could be spending more than \$5bn a year on exploration and development projects in the former Soviet Union within a

couple of years, and much more in five to 10 years". The integrated majors have downstream profits to fall back on when prices weaken, a fac-tor much in evidence in third quarter results. But chronic refining over-capacity in Europe threatens to undercut

Europe and Japan continues to

The independent exploration companies have no downstream buffer to fall back on. A prolonged period of price weakness could not only cut into new exploration and development spending. It could also trigger off an acquisition hunt by bigger cash-rich companies keen to secure sound assets at bargain prices.

■ he financial pressures imposed on the corporate sector by low oil prices are nothing, however, to those being felt by the 12 members of Opec. The extent of the potential damage is high-lighted by the fact that for every annualised dollar fall in the oil price, memher states lose a combined \$5bn in annual

have fallen steadily in the first three quarters of this year. The most recent price falls mean they could reach e level not seen since before the Ruwaiti crisis of 1990, according to a recent study by the Londonbased Centre for Global Energy Studies, Even Saudi Arabia, the dominant producer, is

experiencing a budgetary cri-

The failure or inability of many Opec members to diversify their economies and reduce their dependence on oil revenues has compounded the pain induced by the price falls. It also raises the spectre of possible social unrest in the most vulnerable Opec countries, such as Iran and Nigeria. whose non-oil domestic economies are performing poorly.

The oil industry is looking to Opec to stabilise the market

The decision not to budge was also a reflection of the

would simply hasten the gains

being made hy non-Opec

reluctance on the part of Saudi Arabia and other large Opec states to cut quotas in advance of lreqi exports being readmitted into the production ceiling, probably by the second half of next year.

An emergency meeting will be called as soon as the UN gives the go-ahead for renewed Iraqi exports. It could prove to in Opec history given the antagonism between Iraq and its Gulf neighbours.

Iraq, which has the world's second largest reserves, is adamant that it should be allowed to return to the export merkets with a large quota-But that would require deep cuts in the quotas of other members, most notably Sandi Arabia, at a time when their need for oil revenues is rising.

The pessimistic mood which has gripped the oil industry has shown no signs of infecting the gas sector. Gas is increasingly being viewed as the most environmentally benign fuel, e label which is ensuring a high degree of interest in developed markets

with production cuts. But the

organisation faces a dilemma.

according Gulf Arab officials.

A modest cut from its current

output ceiling of 24.52m barrels

a day might send e positive

signal that Opec can fine-tune

production to snit very

short-term demand. But it

would also cause some mem-

bers to cheat on their individ-

ual production quotas, say the

Gulf officials, thereby trigger-

ing further price falls.
Opec's decision in November

to maintain the present pro-

duction ceiling into the new

year was also based on e belief

that the demand will increase,

either through bad weather in

away at the organisation's

the role of swing producer, say

Opec no longer wants to play

market share.

such as Europe. in October the first gas was delivered to continentel Europe from fields off Norway under the Troll egreement, the largest commercial contract in the history of the petroleum industry.

A number of pipeline proposels are under consideration to tink continental Europe with new reserves. These include the possible construction of an inter-connector hetween the UK and Belgium, as well as additional lines from Russia and Norway.

the industrialised world or as e In the US, newly-deregulated markets have resulted in result of cheap prices encouraging the greater use of oil in those economies which are higher prices, which in turn have persuaded a number of But the decision also companies to explore for new reflected Opec anger that independent producers are nibbling

Elsewhere, and especially in Asta, gas-fired power generation schemes are seen as one of the fastest and cheapest ways to make up from officials, and a production cut shortages of electricity.

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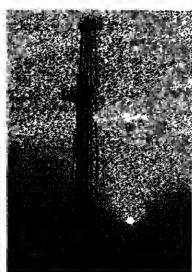
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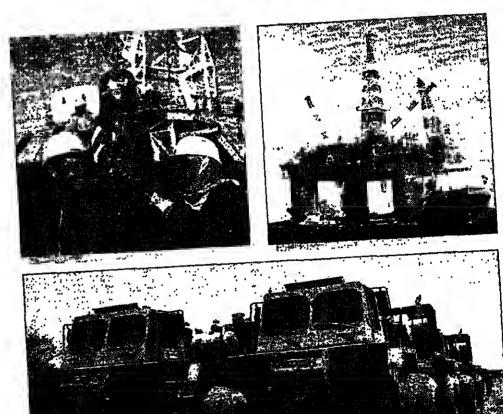
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The Panalpina network keeps the manager responsible in constant touch with engineers and

🖿 he Tarim basin in nortbwest

China, the Caspian Sea and Azer-

baijan are among the exotic locations which have drawn the

attention of the world's oil and gas companies during the past year as they seek to

secure new reserves for the 21st century.

They and dozens of other remote areas

figure prominently in the "frontier strategies" under which a growing number of companies are ranging beyond their traditional operating areas. But the focus on trying to find very large oil and gas fields

in frontier areas has diverted attention

from a surge of renewed interest in

mature regions, such as the Gulf of Mexico

and the North Sea.

Advances in both exploration and production technology combined with the desire to maximise the heavy investment

in the infrastructure of such areas is driv-

It has been most evident in the past year

in the Gulf of Mexico, where oil produc-

tion began more than 40 years ago. Explo-

ration of the area dropped sbarply in the late 1980s as some of the bigger companies

began to look abroad for new reserves. But

buoyant US natural gas prices bave attracted a large number of independent

their ability to gain relatively cheap access to three-dimensional seismic data. This

ing the trend.

## From China to Mexico

technique, combined with the much greater power of the latest generation of computers, has enabled geologists to "see" through structures such as salt domes. These structures had blocked views derived from the earlier two-dimensional seismic techniques.

The new seismic technology has also pelped in the discovery of smaller satellite fields close to existing platforms. Many of these can then be tapped by horizontal drilling from an existing platform. The technique can reach reservoirs as far away as 6km, aliminating in many cases the need and cost of huilding a new platform.

Other new technology, such as tension leg platforms, is allowing companies to move into deeper water. The Mars field, described by Shell and British Petroleum as the largest discovery in the Gulf of Mexico for the past 20 years, lies in 2,933 feet of water.

Technology has also played a key role in maintaining production in the North Sea where early fields such as Ekofisk, off Norway, and Brent and Forties in the UK

are being re-engineered to prolong their production life. The re-engineering of the Brent field, the UK's largest oil producer. by Shell and Esso, includes a shift in emphasis to gas production. The work, which will cost £1.3bn and take five years to complete, will add 10 years to the field's production life.

Mr John Browne, managing director of BP Exploration, believes the life of North Sea production could extend well into the next century "even if prices never rise again in real terms". He says that new technology could push recovery rates as high as 70 per cent of reserves within 20 years, compared with the 50-55 per cent achieved in only a few fields at present.

Companies are only now beginning to realise the full scope for cost reductions in the North Sea. The UK Offshore Operators Association, whose membership includes all 36 companies producing oil and gas in the UK sector of the North Sea, believes

savings of up to 30 per cent in capital costs of offshore platforms could be made if

more attention was given to standardisa-

tion of designs and equipment. A recent report contained a series of recommenda-tions detailing new codes and practices, it predicted that substantial cost savings were possible within two or three years if the basic proposals were implemented.

Mr Browne believes that a 30 per cent cut in capital costs and a 50 per cent cut in operating costs over the next 20 years "could raise the total volume recoverable from the North Sea by 25 per cent - from around 60bn barrels of oil equivalent to around 75bn".

The way in which technology and higher productivity can prolong the life of mature areas is unlikely, however, to lead to any sharp falloff in oil company interest in frontier areas. But their sheer distance from the world's main markets and lack of local infrastructure make them a long-term proposition. China's Tarim hasin, for example, is

2,500 miles from the coast. Studies suggest it could cost as much as \$6 to move a barrel of oil through a proposed pipeline to China's main markets. A similar level of



A BP worker near Prudhoe Bay, Alaska: hostile

transportation charges is likely in other promising but landlocked areas, such as

The political uncertainty surrounding the future of such countries and the need to move oil or gas across somatimes unfriendly borders complicates their development, even if the per barrel cost of prodncing oil or gas is attractive.

The growing competition among countries for foreign investment to help develop their petroleum resources is also likely to exert a strong influence on where oil companies look next. Much of the interest in the world's more remote areas can be traced to the withdrawal or exclusion of many western oil companies from Middle Eastern and Latin American countries as a result of nationalisation.

There is no prospect that the old concession system in the Middle East will be revived, but some of the barriers to western oil companies in the region are being lowered. There were reports this year that Kuwait was discussing exploration prospects with western companies, while French companies in particular are positioning themselves to take advantage of opportunities in Iraq once United Nations sanctions are lifted.

The prospect that western oil companies could become more deeply involved in the Middle East in years to come has been boosted by the fact that many countries in the region cannot afford to develop an their own the new reserves needed to maintain, let alone enlarge, their capacity. The relatively low cost of much oil in the area has obvious appeal to western compa-nies, but the political risks of the region remain relatively high despite the peace agreement between Palestinians and the

Natural gas is undergoing a metamorphosis. Within just a few years it has shed its status as a nuisance by-product of oil and has donned the mantle of being the "noble" fuel.

companies to the region.

Shares in oil companies rich in gas reserves have enjoyed stock market premiums in the past year. Gas distributors in industrialised countries are increasingly moving into international markets. Deregulation of the industry in the US has boosted prices and set off a mini-exploration boom in the Gulf of Mexico. Growing markets in the UK have resulted in mature North Sea oil fields, such as Brent, being re-engi-

neered as gas producers. Further afield there has been a proliferation of proposals to build new pipelines to link remote reserves found in Russia, other former Soviet states and the Middle East with markets in Europe and Asia.

The rising interest in gas across the world begs the question, however, of whether companies can actually develop a global strategy for gas along the lines of the international oil business. For untike oil, the

The pressure rises gas business varies widely by region. In addition it is not an internationally tradeable commodity in the sense of oil, which can be easily transported to a variety of markets in relatively small amounts.

link between the production site and consuming area. But there is no sbortage of companies, mainly from the US and Europe, chasing the growing list of opportunities. They form three main groups:

The high costs of gas require a

direct physical and contractual

 The development of specific gas fields for use in power generation schemes. The number of sucb projects bas grown steadily, with many companies focusing on Asia, where gas consumption has risen by 126 per cent in the past 10 years and where electricity shortages have emerged because of rapid economic growth.

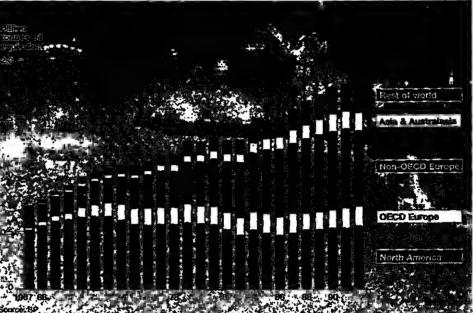
 The linking of large remote reserves to the main industriaupstream and downstream areas to less regulated international markets. lised consuming countries, especially in Europe and Asia

NATURAL GAS

The company recently sold through long, high-capacity pipelines or by deliveries of liquefied natural gas (LNG). its Consumers Gas subsidiary in Toronto, the largest single element of its international The high cost of such projects holdings grouped under Global usually results in the forma-Gas, the international transportation and distribution divition of a consortium to spread the risks. A good-sized LNG sion. The sale did not reflect a scheme can cost \$5bn to scaling back of British Gas' international ambitions, according to Mr Russell Herdevelop. Pipeline projects can cost even more - the Troll project linking North Sea gas bert, bead of Global Gas. It fields off Norway with six merely reflected a change in European consuming countries strategy to concentrate on less will cost \$11bn. mature markets. • The refurbishment of age-A model for future projects,

ing domestic gas supply systems, a number of which says Mr Herbert, is British Gas's current refurbishment of are being privatised. the privatised Buenos Aires British Gas, the biggest and Berlin gas supply systems Western integrated gas company, has decided that its best growth prospects lie in applying its experience in both Asla looms large in British Gas's expansion plans, with a variety of exploration and production projects and power

Natural gas production



generation schemes in Thaiiand, Vletnam, Malaysla, Indonesia and Pakistan. Its largest single project is

the Karachaganak field in Kazahkstan, which could cost British Gas and Agip, the Ital-ian oil company, as much as

A number of other compa-nies known mainly for oil pro-

been on exploration and production rather than distribution, a trend which is likely to Natural gas forms 68 per cent of the proven reserves of Total, the French company, which is particularly strong in

for example, has large gas busi-nesses in the US, Rurope and Asia. Its concentration has

Asia and Europe. US companies such as Mobil, Exxon and Amoco are also keen to build on their strong gas reserves.

A number of national gas supply companies, such as Gaz de France, are seeking to profit

domestic expertise. The per-ceived need to be able to com-pete internationally was one one of the main factors behind the deal earlier this year in which Gas Natural, Spain's national domestic gas distribu-tor 45 per cent owned by Repsol, the state controlled energy group, bought Enegas, the monopoly industrial gas supplier, which is fully owned by the state.

Robert Corzine

venture Yanbu (250,000b/d) and Jubail (240,000b/d) export refi-

neries. It also assumes the state's interest in the 355,000 b/

d Rahigh plant, jointly owned with Mr John Lekis, the Greek

Aramco staff sought to stre



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#### Security and moderation are the Saudi aim, says Mark Nicholson

# Power with responsibility

Whatever the short-term pressures on Saudi Arabia's oil policy, the kingdom appears determined that these shall not divert the world's biggest oil exporting country from its longstanding goals of enhancing market stability, increasing integration of its upstream and downstream operations and pursuing a strategy designed to assure security of supplies

at geoerally moderate prices. But with prices dipping in late November to a five-year low, these pressures have never been greater on the kingdom since the Gulf war, during which Saudi Arabla boosted production from 5.4m barrels a day to nearer 9m b/d to fill the void left by lost traqi and Kuwait production. Since then, Saudi Arabia has stubbornly clung to its expanded share of

Since the 1990 Gulf war, the Saudis have clung stubbornly to their bigger Opec output quota

total Organisation of Petroleum Exporting Countries output and, despite the recent weakening of prices, refused to consider cutting output below 8m b/d, its present production. At the last ceiling-setting Opec meeting in October, bow-

ever, the kingdom beld its production level at 8m b/d even while allowing other members to raise their allocations to meet an expanded official level of 24.52m b/d. Some analysts interpreted this as the kingdom resuming its pre-Gulf war role as the organisation's swing producer. But Saudi officials resist the thought resolutely. "That is not right at all," says one. "No short-term action on our part should he interpreted as a change of pol-

While the burdens of Saudi Arabia's budget deficit problem and the intense pressures of bard-pressed Opec colleagues have combined recently to raise the importance of price in the calculus of Saudi oil policymakers - "it's an important, key issue", says a senior official - Saudi Arabia remains committed more fundamentally to assuring that the world receives secure supplies of oil at prices which will not discourage its use in favour of other energy sources. Accordingly, the kingdom has proceeded apace with expansion plans at Saudi Aramco which will see the world's biggest integrated oil company capable of sustained production of 10m b/d by the middle of next year. Present celling capacity, according to Aramco staff in Dhahran, lies

at around 9.4m b/d.

Much of the initial de-bottlenecking which allowed for the ernment department not a top-notch corporation," says a US oil efficial. expansion was undertaken dur-Six months into the merger

stream new fields south of Riyadh, notably the super light crudes in the Hawtah field, will be complete by next year. The total cost of the expansion will be around \$15bn-\$17bn according to Aramco staff. Exploration is also continuing, with Aramco concentrating on areas around the west ern province and the Red Sea coastal plain. "We're essen-

ing the surge to boost output

during the Gulf war, accelerat-

ing plans laid before the con-

flict. Costlier work to bring on

tially going back to areas explored first in the 30s and 40s with better technology," says an Aramco official. But it was another event this year which consolidated Aramco's position as perhaps tha world's biggest oil group. The company could already boast being the world's biggest exporter and its custodianship of the kingdom's 258bn barrels of recoverable crude gives it unchallenged reserves - more than a quarter of the world's

known oil. In June, however, the government announced Aramco's merger with Samarec, which was then the staterun refining and marketing Although the act was entirely consistent with the kingdom's long professed pol-icy of integrating its oil industry, both to achieve cost efficiency and to assure greater market stability, it neverthe-less took industry executives

Aramco is set to become the world's biggest integrated producer and

by surprise.

in particular, many wondered why Mr Hisham Nazer, the oil minister, took a step which essentially eliminated Samarec as a distinct entity after having made such efforts to define the group's corporate identity. Saudi officials, bowever, prefer to characterise the step as simply one in a natural progression towards a fully integrated oil industry, saying that the timing was "irrelevant" and that Samarec had always been viewed as a provisignal entity.

But many oil executives in the kingdom believe the move was designed to impose on the kingdom's refining and marketing operations what is universally considered to be Aramoo's tighter and more effi-"Samarec was run like a govsay Aramco staff, have gone voluntarily.

Aramco with a considerable and the administrative union addition to its refining capacappears almost complete. ity, which before the merger. lay solely in the Aramco-man-aged 300,000 b/d Ras Tanurah Aramco has subsumed most of Samarec's operations into a new "business centre" headed by Mr Abdelaziz Hokail, who refinery north of its Dhahran headquarters. Now Aramco manages the 394,000 b/d capacheaded a 100-strong task force which managed the dovetailing ity at the kingdom's three in July. So far, very few of domestic refineries in Riyadh, Jeddah and Yanbu and the Samarec's 11,000 staff have lost kingdom's interests in the joint their jobs and those who have,

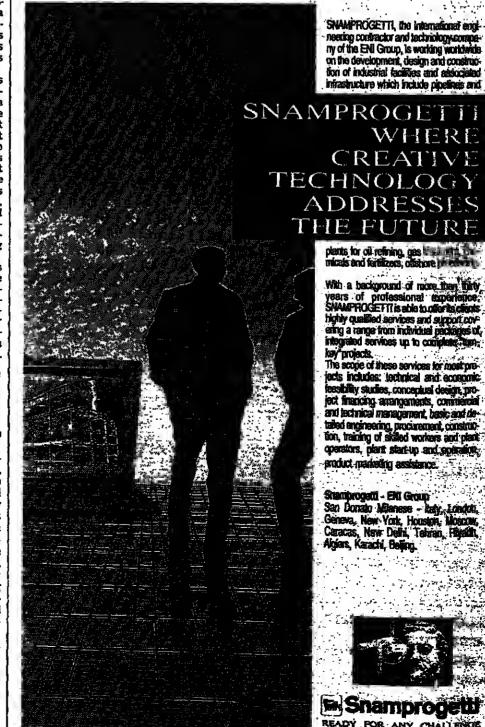
The result is to endow

throughout the merger that none of Samarec's current operations would be affected a promise of executives outside the group say has been largely honoured. However, the stamp of new Aramco management has already had a marked effect on what had been Samarec's ambitious future planning.

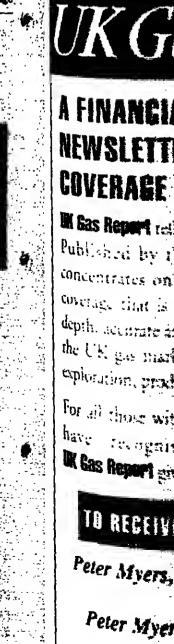
A \$4bn multi-stage plan to

upgrade quality at all the previously Samarecrum refineries

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Latin American attracts more investors, writes David Battman

# Liberalisation pays off

Many oil companies are taking a renewed interest in Latin America, where the trend is towards liberalisation of off sectors and encouragement of foreign investment.

Mr. John Browne, managing director of BP Exploration. confirmed recantly that "investment has come to Latin America because the resource base exists and because the countries of Latin America have established a very receptive fiscal and regulatory climate. If that situation is maintained, there is no obstacle to the fulfilment of Latin America's potential in terms of production and export capacity But the transformation of

Latin America into a region with a unique hlend of foreign private and state involvement is not yet fulfilled. It is not yet clear that the changes effected can be serve as e model for other regions seeking to expand their oil and gas sec-

Its production potential has never been in doubt. US companies in particular have long been involved in exploration and production, along with several European oil majors.

The oil shocks of the 1970s and the fraqi invasion of Kuwait in 1990 served as a reminder to the US of the strategic importance of alternative fuel sources, particularly when they are so much closer geo-

But political risks (in the region which invented oil nationalism) proved unacceptably high for many companies m the 1970s and 1980s.

Latin America's turnaround started with the spread of economic orthodoxy which followed the debt shock of the mld-1980s: Governments sought to open up their economies to make them more competitive, reduce spending and control inflation as requirements for the restructuring of foreign debt and to secure much-needed foreign capital

Key aims of the oil and gas industries have been to secure foreign capital and technological injections not easily available domestically, and generally to work in partnership with the state company.

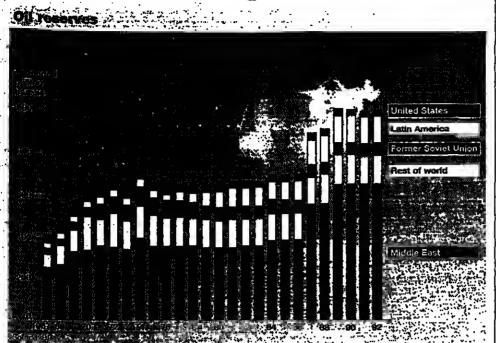
Mexico and possibly Brazil

are opening up some areas to foreign involvement while retaining overall control: Other main regional producers are showing greater flexibility.

Partnership represents the most viable path for Latin America and potentially for other developing areas. For gress recently approved the development with Shell, Exxon and Mitsubishi of offshore gasfields and export of LNG to the Success in attracting foreign implement plans to make exist-US, at an outlay of \$7bn. companies will therefore ing and future association con-

MPROGE

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Agreements have also heen reached with Conoco and Total, Ituchl and Marubeni to produce extra heavy crude, with investment outlays of \$3.5bn. Interest in exploration in Peru, Ecuador, Colombia, Venezuela, Bolivia and Argentina is currently high.

The Ecuadorean government is shortly to issue exploration licences for 2.2m hectares. So far, 100 foreign oil companies

Partnerships such as those developing in Mexico and Brazil are the best way ahead

have expressed interest and 50 have bought detailed documents on the Oriente (Amazon) and offshore blocks. Off and gas pipeline contractors ware seeking to benefit from major construction projects in Argentina, Bolivia, Brazil, Colombia and Venezuela.

At the other extreme, Argenting in 1993 privatised its state oll company YPF. But this is unlikely to serve as a model for the rest of Latin America. Although YPF is said to be the oldest state oil company in the world, it has never been the kind of nationalist symbol that Pernex was for Mexico.

Full privatisation of state oil and gas companies would, if desired, prove nigh-impossible in most countries. For this reason, Mexico insisted on retaining Pemex's privileged status when signing the North America Free Trade Agreement (Nafta). The position of Mexican President Carlos Menem is also stronger than that of most of his contemporaries.

depend on the terms of the contracts offered and on governments' willingness to stick to them. Latin America petroleum specialist Dr Chris Brogan says that if Latin America is to attract the finance necessary to develop its oil poteotial, "it must ensure that cootractual terms on offer are as good if not better than those being offered elsewhere in the

He adds that investors who their fingers badly burnt in the past must be convinced that contractual terms, once agreed, are not subjected to sudden, unilateral change.

The need for Latin America to provide the best contracts possible hecomes more ecute given difficult operating conditions in many countries. Goveriments remain over-bureaucorrupt, while exploration and production sites can be in remote areas with poor communications. There are high security risks

in Colombia, where ultra-leftist guerrillas prey on the oil and gas sector, and Peru, whera Shining Path guerrillas are not a beaten forca. Two failed coups in 1992 in Venezuela did not directly affect the oil and gas sector but destabilised the country. In Venezuela the lead-up to the December 3 elec-tions indicated a popular opposition to neo-liberal solutions which is likely to be echoed elsewhere in Latin America in

It is unlikely that this mood change will result in attempts markedly to change oil and policies, though it may limit the extent to which governments such as Colombia can

tracts more competitive. Furthermore, the extractive industries are under pressure from environmental and indigenous groups. In Ecuador, the allocation of new oil exploratioo blocks in Jaouary is prompting increased controversy over the environmental impact of oil operations, particularly in Amerindian ereas. Amerindian representatives hegan legal proceedings against Texaco in New York on

November 3 in a hid to win \$1.5bn-worth of compensation for environmental damege. This has implications for the region as e whole, and companies can help themselves hy strict environmental controls and good relations with the grassroots in their areas of

in general, nothing succeeds like success. The reawakening of interest in Latin America was guaranteed in 1992 when a British Petroleum-led consortium discovered a big field in eastern Colombia, since identified as one of the Western Hemisphere's largest finds for

BP hopes to reach production of 150,000 h/d from Cuslana by tha end of 1995 (this would represent a third of national production at today's levels), rising to 600,000 h/d thereafter. More such oil and gas finds would have a galvan-ising effect in the country concerned and sustain interest in Latin America as a whole.

Under these circumstances. oil and gas companies will continue to tolerate difficult operments behave supportively and avoid arbitrary actions.

☐ The writer is deputy head of research at Control Risks Information Services

US majors make the best of a tough situation, says Richard Waters

# Taking the long view

Like tankers moving calmly over choppy waters, the giant US energy groups pretend that they float serenely above the turhulence of the world's trouhled oil markets. lo reality, their progress is not so

True, the latest dip to the oil price is unlikely to interrupt the compenies' loog-term exploratioo aod production short-lived. But it will force the oil majors to give a further painful turn of the screw to the extensive cost-cutting they have already undertaken. And lt will make more unattainable the goal of achieving a satisfactory return oo capital.

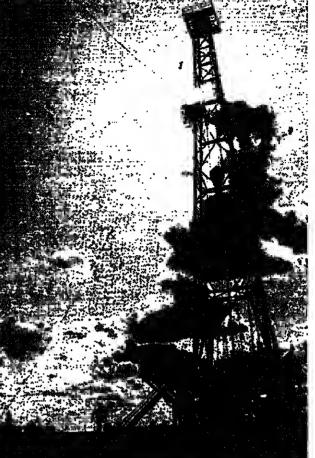
Most say their iovestmeot price somewhat higher then the current level, are tested against prices of \$15 a barrel or less. That makes them able to withstand trooghs to the oil market. Nor do the hig oil groups believe prices will stay et preseot levels for a sustained period.

"We doo't see any deep fundamental change in our view [as a result of the recent price fall]." says Mr Ken Haley, manager of eoergy forecasting at Chevron. "The market is at the lower end of its long-term sustainehle level," which Chevroo pots at \$18-823 a bar-rel. Mr Alfred DeCranc, chairman and chief executive of Texaco, also expresses optimism about the price of oil: "We haven't bet the store on it going up - hut I haven't sold my stock."

He sdds, though, that In the short term, lower prices mean "we woo't be getting in the front dcor what we thought we would be getting".

The fall in upstream earnings as a result of lower oil prices will pot the eoergy gronps under even greater pressure to husband their cash resources to support the Investments necessery for long-term success. For two reasons, those luvestments are likely to get bigger ratber than smaller. First, exploration and devel-

opment spending Is helog plonghed into ever-bigger ventures ontside the US in pursuit of the sort of massive discoverles which will provide



Drilling in Texas; big companies prefers to explore overse

in the US now is of the devel-

opment work io the former

Soviet republics, the East

China Sea or the North Sea.

Investment budgets have fol-

lowed this change in empha-

the US has averaged \$1.77bn a

year over the past five years and is projected to cootinue

unchanged et this level for the

next five. Investment outside

the US, by cootrast, is expec-

ted to rise from \$1.45hn a year

to an average \$2.12bn. Like-

wise, Chevron says three quar-

ters of its \$2,6ho capital

investment on apstream activ-

ities this year has heen spent

To support this move over-

seas, and at the same time cut

costs, most US groups have

disposed of marginal on-shore

ontsida the IIS.

long-term retnrns. Most mature US fields are no longer worth developing for hig companies with large overheads to cover, while potential new large fiods lu Alaska or hevond the US's cootinental shelf are put out of reach hy

eoviroomeotal coocerns. A falling oil price has fur-ther reduced the attractions of exploring for oil io the US. Tax rates on oll production in the US are lower than in most overseas areas: this means that, when prices fall, the prodncer suffers more. In overseas markets, more of that pain is born hy the taxpayer (the opposite is true when prtces rise.)

Not surprisingly, with tha exception of a handful of giant fields in deep water areas of the Gulf of Mexico, all the talk ago: by the end of next year, the number will be down to under 500. The second significant need

US fields. Texaco had 1,000 US

oil and gas fields three years

for cash is in the US, where ever-more demanding environmental standards are forcing companies to apgrade their reficeries both to produce cleaner fuels and to cut their own emissions. Few companies think they

will be able to recover through higher fuel prices moch of what they spend on revamping their refinertes. Chevron, the largest reficer in the US, has put two refineries up for sale, representing around a quarter of its US refining capacity.

"It may oot make sense to invest in all sites," says Mr Dooeld Schmode of Texaco, which is also reviewing whether it ceo efford to opgrade all its US reficery

In part, the refinery seles are part of a hroader rationalisation of the US refiniog and marketing system. A flat gasoline market has forced compa nies to rethink their marketog strategies, coocentrating their service stations loto regional groupings close to their own reficeries in an cffort to cut costs and huild market share. Service stations or refineries that do not fit into this pattern heve heeo

So far, refloertes have changed hands rather than close dowo altogether. That could change, though, when the next phase of federal rules oo gasoline standards comes into force at the beginning of 1995, says Mr DeCrane of Texaco: "the need to spend to keep those refloeries open will rise. and there will be closures of reficertes in the US."

Against a domestic hackground of shrinking exploratioo and production and a downstream business facing significant (and probably irrecoverable) investment, it is not surprising that the US energy industry is living in reduced circumstances. By huilding reserves ahroad, though, US oil is laying down the foundation for a more significant international presence well

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# strive for stability

☐ Contd. from facing page was immediately placed under review hy the Aramco managment, and there it has remained for the time being. Foster Wheeler, the US engineering consultants who had heen hired to oversee the Samarec plan, were released. Aramco officials have said only that an upgrade of some form will eventually proceed, something many in the industry

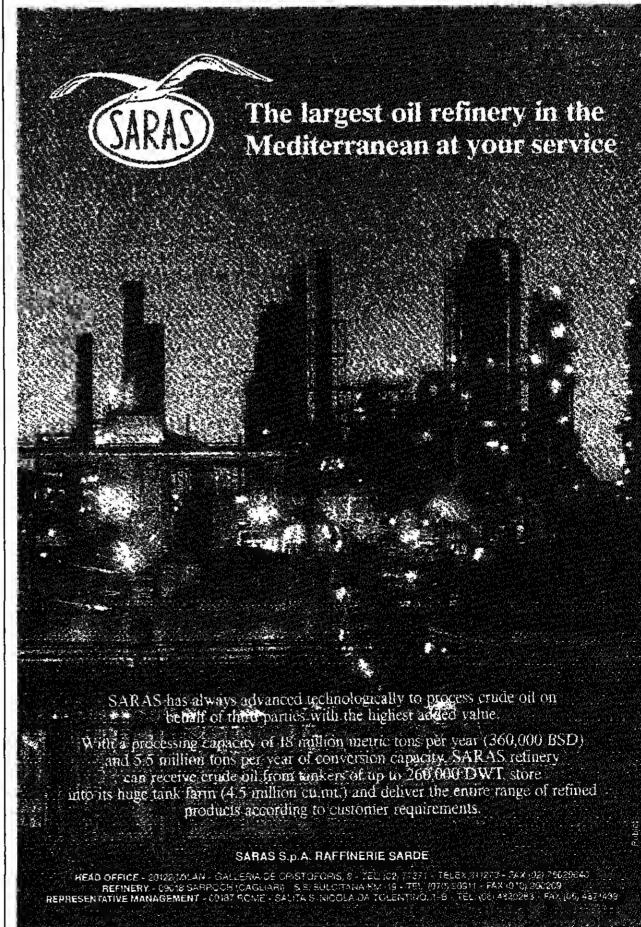
But to date the sole specific upgrading project is that being overseen by Brown and Root. the US engineers, to enhance quality et the Ras Tanurah plant - a \$1-\$I.2hn project which will be under way early

next year.

Meanwhile, Aramco's ambitions further to integrate its international operations took e knock in early November when long publicised plans for a \$10ho joint venture refining project with a trio of Japanese oil companies fell foul of internal disagreement among the Japanese partnars and was

The project would have fur-ther consolidated Aramco's aim of securing supplies of its crude to refining contracts close to its main consumer markets. The policy began in 1988 with Aramco's 50-50 venture with Texaco, creating Star Petroleum to serve markets in the US eastern seaboard. A 35 per cent share in Ssangyong, the South Korean oil group, followed in 1991 with the same intent. The Japanese deal had been seen as the next natural

However, Saudi officials say that talks are advanced with two southeast Asian oil compa-nies to replace the cancelled project with one of equivalent scale and scope. One of the potential partnars is understood to be Nippon Oil, one of the three Japanese groups in the original consortium.



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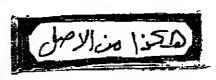
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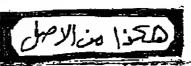
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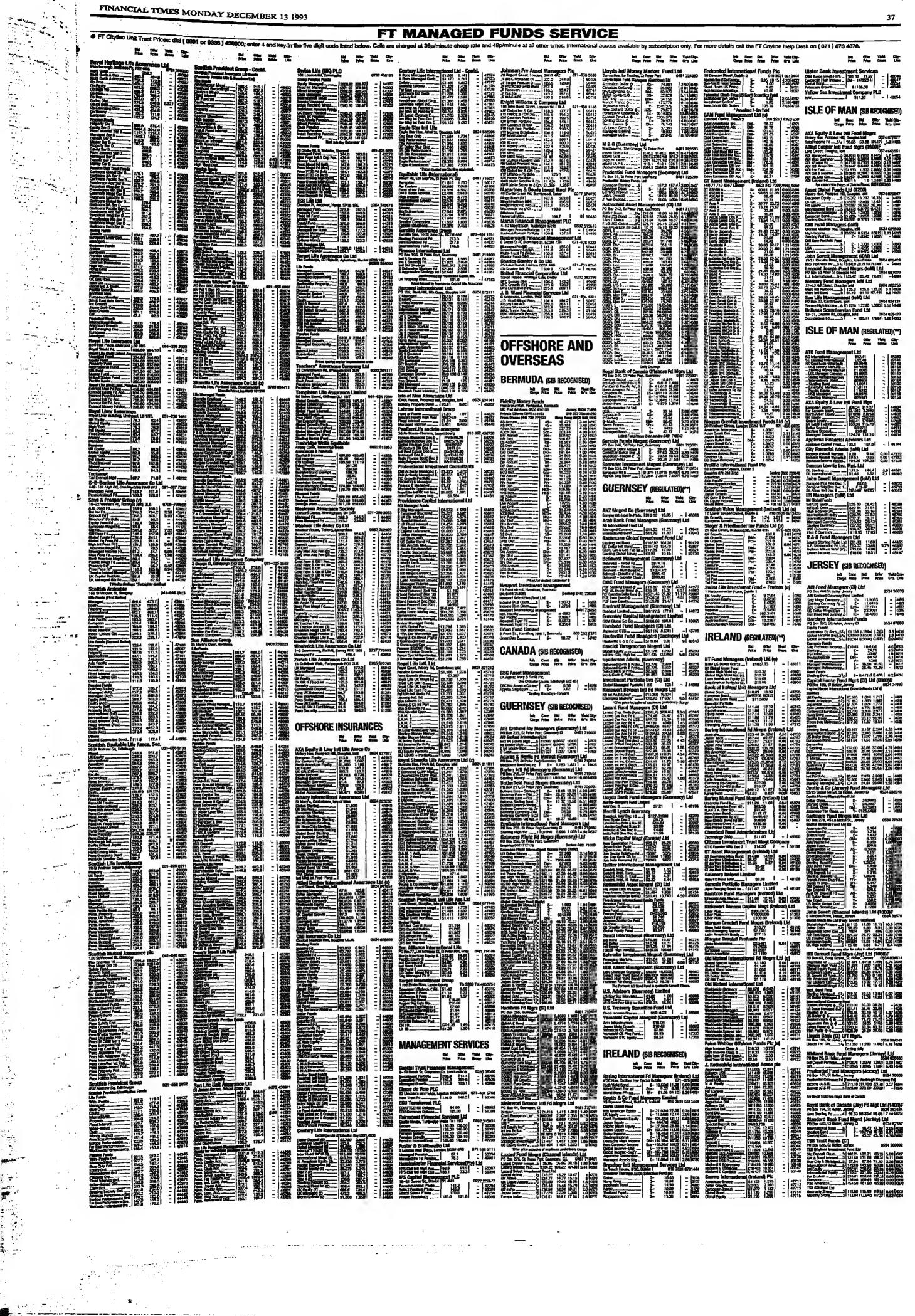
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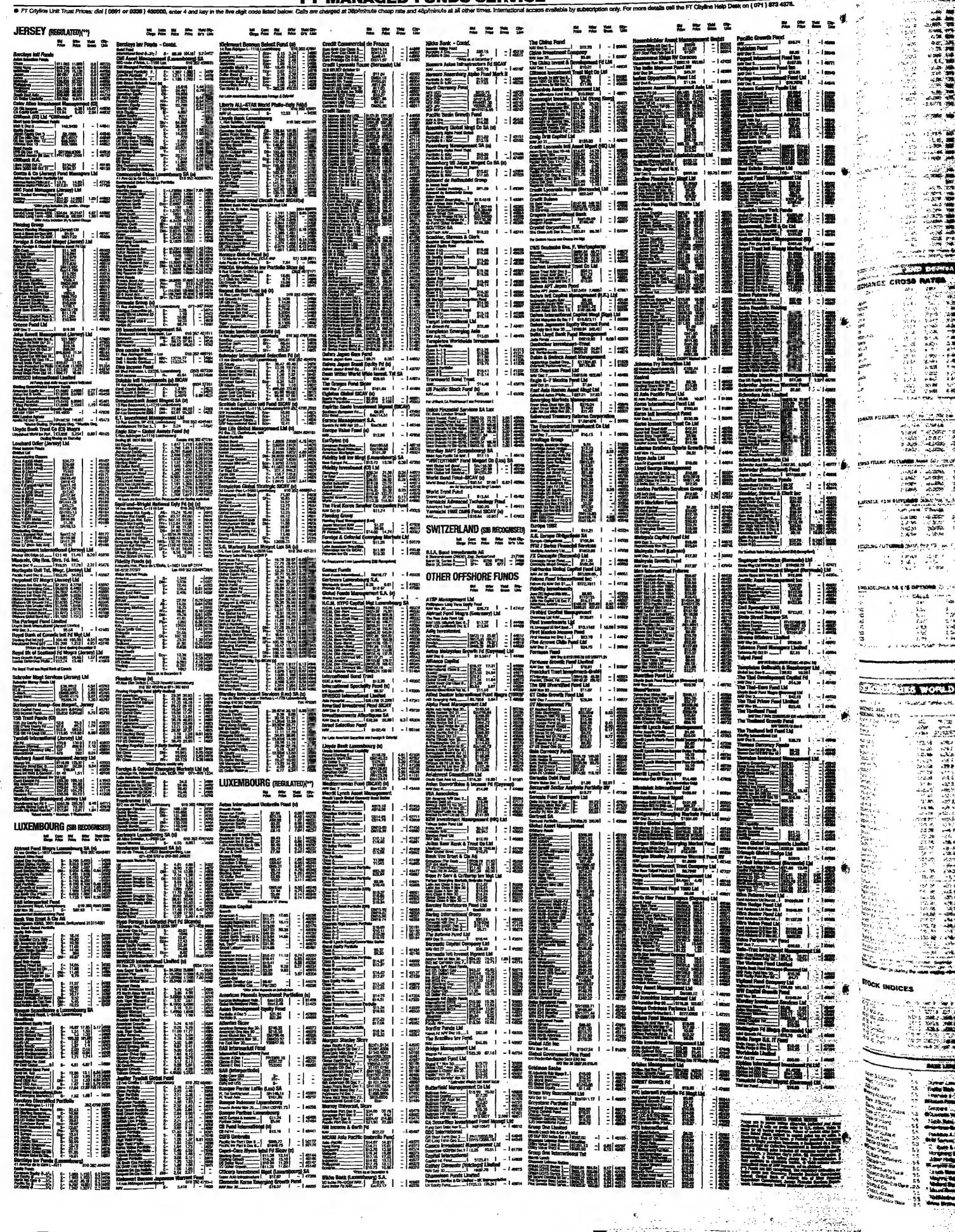




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Palmacoics Rus, 8248 | Title 12,500 - 12,500 | 4.00 | 125,000 - 120,000 | 4.00 | 4.00 | 120,000 - 4.00 | 4.00 | 120,000 - 4.00 | 4.00 | 4.00 | 120,000 - 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.0 **EURO CURRENCY INTEREST RATES** UK clearing bank base lending rate 512 per cent from November 23, 1993 1-3 3-6 Open Sett price Change 0.9220 0.9186 -0.0037 0.9232 0.9195 -0.0037 0.9235 -0.0038 High 0.9220 0.9250 0.9238 Low 0.9158 0.9168 0.9222 Est.vol Open int. 7,163 16,170 61 · 0.9186 0.9195 0.9235 0.9284 35,392 59,047 665 182 Dutch Guilder Franch Franc Purtuguese Esc. Spanish Peseta Stating Swiss Franc Can, Dellar US Dollar Usb Dollar Tusten Lira Yan Asian SSing J. Henry Schröder Wagg & Co Ltd 120 Chemista, London Fully 60S Special Acc. 5.125 2.84 5.22 Man 510 000 and 300vs 5.375 4.03 5.49 Man BANK OF ENGLAND TREASURY BILL TENDER Tind.000-\$799,969 ... 3.60 2.65 3.85 Or The Co-Operative Bank Polary 200, Passage Annual State Pola +0.0018 1.5020 1.4824 +0.0010 1.4940 1.4840 +0.0008 1.4890 1.4812 4,988 17,799 101 18,544 28,372 279 1.4948 1.4572 1.4816 Dec 10 Dec 3 Dec 10 Dec 3 Weatery Trust High Interest Cheque Acc The Monopowire, Physics of 94,1 v56 0754.22 E18,000-2 0 3.75 8.09 Exp.000-24,4999 4.75 3.59 4.84 E1,000-24,999 4.50 3.38 4.50 4.8734% 4.85.13% 4.8683% 4.8145% 4.9081% 4.8727% 5200m 5200m \$200m \$763 \$250m \$98,785 \$75% \$200m \$773m \$200m \$200m \$38,790 20% Top accepted sale five, rate of discount furerage yield Otter at next tender Min. accept, that 152 days in 1.00 Wimbledon & South West Flagmen PLC 114 Margate St. Landon BC1 FAE 071-606 9481 High 9th Chapter Acc ..., | 5.50 4.15 | 5.81 | Cr III PHILADIELPHIA SIC E/S OFFICHES \$31,250 (cents per pound) Strike Price Jan 9.07 6.77 4.61 2.83 1.65 1,400 1,425 1,460 1,475 0.29 0.63 1.20 2.07 3.24 9.32 6.37 4.37 1.92 Est vol Open the Low 96.81 96.46 96.14 +0.02 +0.02 +0.02 95.64 96.49 96.18 96.61 96.44 96.11 44,673 254,847 88,701 389,208 83,168 313,726 59,412 243,317 96.63 96.45 95.12 The FT Guide to World Currencies table can be found on page 30 in 1,4815 1,4871 1,4758 0.73 - 1.44 2.93 1.4923 1.4880 1.4788 Previous day's vol., Galis 73,603 Puts 12,585 . Prev. day's open Int., Calle 745,235 Puts 805,159 I US TREASURY BILL FUTURES (MM) \$1m per 1009 96.82 96.76 96.49 96.22 +0.01 3,636 3,210 188 103 3,924 22,731 4,626 186 96.74 96.49 96.22 -0.02 -0.04 -0.04 96.82 95.53 96.24 STOCK EXCHANGES 96.53 96.23 Jun Sep FT-ACTUARIES WORLD INDICES Are you dealing in over \$1m? BANK RETURN Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatiWest Securities Ltd. in conjunction with the institute of Actuaries and the Faculty of Actuaries Fast, Competitive Quotes 24 Hours Wednesday Increase or December 8 1993 decrease for week US Pound Local Local Year Dollar Index Index Index Index Local Local Year Dollar Sterling Year DM Currency 1993 1993 3go bibles Index Index Index Index High Low (approximately 1993) 1993 1993 1993 on 071-329 3333 or fax 071-329 3919 NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines BANKING DEPARTMENT MEMBER SFA PRIDAY DECEMBER 10 1993 Pound Local Local % Gross Starting Yen DM Currency chig from DN, Index Index Index 1/12/92 Yield US 96chg Pound Dollar since Starling Yen Index 31/12/93 Index Index Lieblities Capital Public deposits ٤ 1993 ago Low (approx) 14.553,000 4,601,902,867 1,564,907,714 3,069,357,841 | Index | Inde 159.81 158.13 109.55 162.96 181.38 125.66 160.40 159.02 110.18 135.02 133.85 92.72 241.17 239.09 165.64 172.02 170.53 118.13 133.65 137.17 95.04 408.39 404.87 260.48 177.05 175.53 121.60 65.99 66.41 46.01 133.76 132.65 91.88 621.22 516.73 357.85 621.22 516.73 357.85 621.22 516.73 357.85 621.22 516.73 357.85 1224.03 132.65 163.84 137.92 136.52 167.85 130.18 165.44 156.09 107.45 187.90 186.03 167.40 128.85 165.22 165.80 113.48 +2,852,021,878 +105,790,087 -3,113,043,596 NO MORE DANCING! 3.28 0.99 4.06 2.59 1.04 0.71 2.63 3.18 2.00 0.85 1.96 0.85 1.29 2.39 4.11 1.51 1.52 3.87 1.82 2.39 \_158.18 +26.4 \_182.00 +28.9 \_160.66 +20.8 \_134.31 +18.1 SATQUOTE™ - Your single service for real time quotes. 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For your 7 day free trial, call Futures Pager Ltd on 071-895 9400 now. 17,930,000,000 +350,000,000 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1994 | 1993 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | 1995 | FUTURES PAGER LONDON RECENT ISSUES: EQUITIES 187.41 130.39 166.83 189.98 48.1 163.98 113.88 145.80 158.20 +26.7 181.47 120.26 181.54 183.27 +39.0 145.14 100.98 129.26 104.95 +18.4 152.71 106.24 136.01 125.27 +21.7 184.02 128.05 163.94 164.87 +6.7 143.02 29.76 127.71 138.14 +34.7 254.12 176.83 226.37 236.83 +64.2 154.43 107.45 137.56 128.33 +22.2 161.43 112.34 143.83 142.51 +15.4 184.05 114.14 146.13 146.46 +15.2 182.20 128.77 182.31 178.53 +17.0 188.03 167.40 128.53 186.34 182.75 128.60 145.08 143.83 98.54 185.32 181.98 105.29 185.66 184.06 127.52 144.54 143.90 99.29 255.09 250.90 173.85 165.14 153.80 1065.55 162.38 180.96 111.51 165.04 183.82 113.36 183.70 182.12 126.18 185.62 189.03 197.06 170.06 177.05 185.45 194.50 194.54 142.13 152.53 126.64 103.33 168.80 105.80 111.30 185.94 124.57 152.93 117.26 120.70 164.85 184.94 187.88 177.51 173.10 128.19 138.68 144.55 112.51 113.96 224.43 239.66 256.25 152.70 150.70 187.58 127.68 162.99 118.51 121.72 145.97 141.96 168.89 134.22 138.63 146.35 146.00 170.48 137.29 139.45 162.81 179.51 183.72 157.47 157.73 USA (516) ... ..... 185.05 +21.4 182.99 +23.4 146.35 +33.4 153.93 +26.0 185.56 +6.5 144.56 +26.4 256.25 +84.8 156.72 +29.2 162.81 +18.4 2.87 1.29 1.15 1.92 2.74 2.35 2.60 1.92 2.07 2.23 2.74 Europo (748) Nordic (114) Pacific Basin (715) Euro-Pacific (1463) North America (625) Europe Er. UK (533) Pacific Ex. Japan (246) World Ex. UK (1952) World Ex. UK (1952) World Ex. UK (1952) Nat Div. Grs P/E TAX-FREE\* SPECULATION IN FUTURES : : la obtain your feet Guide to how your Firstocki Bookimsker een help you, cell Michael, Murray or Ira Jenjans on 071-028 7233 or write to ux KG Index Pic, 9-1 i Growestor Gardens, London 500 NY 000. L3.0 28 1.5 30.6 F4.1 2.1 48 12.7 World St. So. At. (2107) ......165.42 World St. Japan (1698) .......183.72 +18.4 +15.4 Market Myths and Duff Forecasts for 1993 W5.9 2,3 4.0 13.8 The World Index (2187) \_\_\_\_\_165.83 +18.8 164.45 114.42 146.49 147.14 +15.5 2.24 165.46 164.03 116.64 146.72 146.88 170.85 137.32 139.43 The US dollar will move higher, preclous metals have been demonetized; Japanete equilier are not in a new buil trand. You did .NOT read that in Fullent Koney - the leanned list investment letter; Call Jace Frequision for a sample was force only at Charl Arelys 11st, 2 shadow Shoot, Lancer, W12740, UK Tal Lenson 71-427 47st ... 27 shadow Shoot, Lancer, W12740, UK Tal Lenson 71-427 47st ... 27 shadow Shoot, Lancer, W12740, UK Tal Lenson 71-427 47st ... 27 shadow Shoot, Lancer, W12740, UK Tal Lenson 71-427 47st ... 27 shadow Shoot, Lancer, W12740, UK Tal Lenson 71-427 47st ... 27 shadow Shoot, Lancer, W12740, UK Tal Lenson 71-427 47st ... 27 shadow Shoot, Lancer, W12740, UK Tal Lenson 71-427 47st ... 27 shadow Shoot Lancer, W12740, UK Tal Lenson 71-427 47st ... 27 shadow Shoot Lancer, W12740, UK Tal Lenson 71-427 47st ... 27 shadow Shoot Lancer, W12740, UK Tal Lenson 71-427 47st ... 27 shadow Shoot Lancer, W12740, UK Tal Lenson 71-427 47st ... 27 shadow Shoot Lancer, W12740, UK Tal Lenson 71-427 47st ... 27 shadow Shoot Lancer, W12740, UK Tal Lenson 71-427 47st ... 27 shadow Shoot Lancer, W12740, UK Tal 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F.P. F.P. F.P.



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24 HOUR

DREIGN EXCHANGE

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+2 R2.5 2.8 1.7 29.0

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† Introduction. § Picting price. F.P. Rully-paid security. For an to the Guide to the London Share Service.

|   |  |  |  | W. W.  |
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| 40  | LONDON SHA   | ARE SERVICE  | FINANCIAL TIMES MONDAY   | DECEMBER: 13 1993  |
| AMERICANS BUSINESS SERVICES WAS DO Dividents Last City WAS DO   |  | ENGINEERING-GENERAL - Cont. HOTELS & LE  | SURE - Cont. SAVESTMENT TO   | 247  |
| Notes Price & change gross paid at \$\frac{1}{2}\text{min}\$   Notes Price & change of \$\frac{1}{2}\text{Months}\$   \$\frac{1}{2}\tex | net con. pais zd fazi Nege Prior chinge net con. paid at line 27 24 3.1 05 Aprior 28 2307 131 031 131 032 2307 131 032 2307 131 032 2307 131 032 230 1 | Notice   Price citrings not con.   paid   xd   line  | 103 0.6 9.75 — Apr Dec 18.8 1937 Zen Die Pi<br>125 — 4.55 2.0 — 3227 Flauring Japon — \$10<br>168 — 1.1 3.4 Sep 2.8 4920 Werrants — 178 — 3.27 3.2 Mer Sep 19.7 2728 Flauring Marc — 9.7   | 216 -1.4 0.45 Dec 247.8 1.11 2807<br>84 3.7 18.4 18.4<br>225 -2 8.774/staffe 422.4 6.9 2500  |
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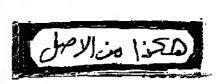
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#### MONDAY

Trade talks on the brink

#### From midnight Sunday, the bubbub of voices at Gatt headquarters in

Geneva is supposed to be replaced by the scratching of pens, as negotia-tion stops and final drafting starts. Gatt director Peter Sutherland has said this is necessary to allow staff to draw up and final texts of the 116nation Uruguay Round agreement and produce them in English, French and Spanisb versions, in order to be ready for distribution on Wednesday.

On Sunday night, there was still apparent deadlock, as the US and EU failed to agree on audiovisual trade

Sticky rice: Japan has said it will make an announcement on opening its rice market today. It decided informally to let rice in more than two years ago, but the demands of political theatre have caused repeated delays. Under the proposal, Tokyo will import mini-mal amounts for six years, after which it will switch from quotas to tariffs.

Middle East peace: Due date for Israeli military withdrawal from the Gaza strip and the Jericho area of the West Bank. It was unclear Sunday night how far it will be symbolic and how far substantive.

EU tobacco advertising: European Union health ministers meet in Brussels to discuss a draft directive from the European Commission proposing the banning all tohacco advertising, apart from point-of-sale material. It is likely to be opposed by the UK. Germany and the Netherlands.

Car joint venture: General Motors International is to sign a joint venture agreement with the FSO car plant m Warsaw. Initially, 3,000 Astra cars a year will be assembled, after an investment of DM25m (\$15m).

Westminster, Michael Portillo, chief secretary to the treasury, testifies on government spending plans in the UK Budget to the cross-party Commons Treasury and Civil Service Committee.

Scott inquiry:



who was succes sively trade and defence procurement minister at the time of illegal exports of arms and machine tolls to Iraq, appears Justice Scott's inquiry into the affair (to Dec 15).

Alan Clark

western creditor nations. Zimhabwe's aid donors are to hold a meeting in

rescheduling payments on some \$500m of its deht with the Paris Cluh of

Debt talks: Vietnam is to discuss

Paris chaired by World Bank. Holidays: Peru (Immaculate

Conception), Kenya (National Holiday).

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#### TUESDAY

#### French to vote on Gatt

The French national assembly is expected to hold a vote of confidence on the government's handling of the Gatt negotiations. The ruling conservative coalition has a large majority. so it should easily win.

Prime minister Edouard Balladur's personal popularity is high, according to opinion polls. His decision to seek a vote is probably prompted by the desire to spread responsibility for the deal as widely as possible. If it were to go against him, he would have to

Yassir Arafat, chairman of the Palestine Liberation Organisation. begins a two-day visit to London. He will address Parliament, meet the Arcbbishop of Canterbury and hold talks with Prime Minister John Major before leaving for Dublin.

UK distributive trades: The Confederation of British Industry publishes its quarterly survey of the retail, wholesale and motor trades.

US health care reform: The House of Representatives Ways and Means committee plans hearings on the financing of President Bill Clinton's health care reform plan.

US coal strike: Union members are due to vote on an agreement to end the seven-month dispute. It has and affected about 10 per cent of US coal production.

Gore at large:



US vice-president Al Gore's first extensive foreign trip sees him in Moscow two days after the Russian elections. He is there as cochairman, with Russian prime minister Viktor

Chernomyrdin, of the joint commission on energy and space co-operation. He will also prepare for Bill Clinton's visit in January. At the weekend be has talks in Bonn with German chancellor Helmut Kohl.

Sakharov prize: The Sarajevo daily newspaper Oslobodjenje is to receive the 1993 Sakharov prize for human rights in Strasbourg. It will be presented to the editor Zlato Dizdarevic hy Sakharov's widow Yelena Bonner at a ceremony in Strasbourg.

Roundheads and auctioneers: The Fairfax archive, the largest and most important collection of documents relating to the English Civil War, comes under the hammer at Sothehy's in London. The archive focuses on Sir Thomas Fairfax, Cromwell's commander-in-chief. More than 5,000 items are on offer, most estimated at less than £2,000. All told, the archive should make more than £500,000.

#### WEDNESDAY

Crunch time in Geneva

#### After midnight Washington time, the US administration loses its authority to present to Congress a take-it-orleave it package. Brinkmanship is likely to continue to the end. Negotiations at Gatt headquarters in Geneva

could go on until after 5am local time on December 16, with a final draft tabled in Congress shortly thereafter. If all goes well, the accord comes into force on January 1, when Gatt will also be superseded by the Multilateral Trade Organisation.

Patten goes it alone:



Chris Patten, the governor of Hong Kong (left), submits to the colony's Legislative Council the so-called straightforward sections of his proposals to extend

The bill adopts a single-vote, single-seat system for all elections, and lowers the voting age from 21 to 18. China is firmly opposed to the move and says that pushing ahead with the legislation will put an end to negotiations.

**Uister peace moves:** A further meeting between Irish premier Albert Reynolds and UK prime minister John Major is expected this week. They are trying to produce a peace initiative by Christmas which will persuade the IRA to abandon violence.

UK retail prices: The index for November will have a crucial effect on interest rate expectations. Today's figures are likely to confirm that interest rates could be cut further.

Westminster: Kenneth Clarke, UK chancellor, testifies on his recent Budget to the Treasury and Civil Service

Diet ends: The Japanese parliament is due to conclude for the year, but prime minister Morihiro Hosokawa is expected to seek an extension to enable political reform legislation to be passed. Hosokawa has pinned his future on getting his reform programme through.

The World Bank publishes its annual world debt tables. They are expected to show a sustained increase in private capital flows to middle-income countries. However, many severely indebted low-income countries continue to suffer financial problems.

Champagne by any other name: A French appeal court is to decide wbether Yves Saint-Laurent, the French fashlon bouse, must change the name of its perfume Champagne in France. YSL and Elf Sanofi, its parent company, are locked in a legal battle with the champagne industry, which has objected to the use of the

I6

#### S Africans demonstrate Violence could flare as large sections

of the nation mark anniversaries – separately. The white right wing plans a hig protest on the Day of the Vow, when outnumbered Voortrekkers beat the Zulus at Blood River in 1838. Zulus will be commemorating their sacred at Isandhiwana in 1879. The

Bundesbank council meeting: The German central bank is to review its M3 target range, currently 4.5 to 6.5 per cent. Hans Tietmeyer, president has suggested the new target will be close to the current one. The bank could surprise the markets by lowering next year's ceiling to 5.5 per cent, with a rate cut as a possible accompaniment

VW-Opel civil suit: A Frankfurt court is due to rule on the dispute between the two carmakers over alleged staff-poaching and passing-on of commercially sensitive information.

figures should show unemployment down further in November after Octo-ber's sharp 49,000 seasonally-adjusted fall with wage inflation staying sub-dued. A high public sector borrowing requirement in November would further justify last month's tough Budget.

Westminster: The Commons Treasury and Civil Service Committee reports on the Bank of England's tuture. It is expected to favour making

Pre-acquisition provisions: The UK Accounting Standards Board publishes its standard on pre-acquisition provisions in company accounts. It will clamp down on some of the worst accounting abuses, used since the late 1980s to boost profits artificially by releasing provisions when trading



tee goes to court to force senator Bob to hand over his private diaries. The can is under investigation for sexual

ing 20 years, may compromise others on Capitol Hill

#### THURSDAY

wars with the British, whom they mas-African National Congress is to parade its military wing, Umkhonto we Sizwe (Spear of the Nation), formed in 1961.

UK unemployment: Labour market

it more independent.

results are disappointing.
It is expected to put an end to provisions for future losses and reorganisation expenses after the acquisition of a business being treated as liabilities in the acquired business on the balance sbeet of the purchaser'a accounts.

Packwood diaries:



The US senate ethics commit-Packwood (left) Oregon republi-

harassment. He says the diaries, cover-

Holidays: Markets are closed in Bahrain (National Day) and South Africa (Day of the Vow)



#### **FRIDAY**

#### **EU steels itself for cuts**

European Union industry ministers discuss the troubled steel sector. On the table will be a restructuring plan for Italy's steelmakers agreed with the Commission last week. If the plan receives unanimous approval, the way could be cleared for a union-wide rescue plan.

Agreement on state aid is essential to trigger a co-operative programme of production cuts by private steelmakers, which have been suffering from lack of demand and overcapacity.

UK industrial trends: The Confederation of British Industry monthly industrial trends survey looks at growth in output and orders in: November. The October survey found. manufacturers' export order books at their weakest since February.

Boutros Boutros-Ghall, UN. secretary general, is scheduled to start a five-day visit to Japan and North and South Korea. The recently added Pyongyang leg of the trip comes at a time of growing international tension over North Korea's nuclear plans.

Westminster: Britain's parliament

18-19

#### WEEKEND

Opinion polls suggest that more than one-third of the electorate will vote for the Socialist party of Slobodan Milosevic, the Serbian president in Sunday's parliamentary elections. Despite monthly inflation of 83,000 per cent, the fruit of three years of war and 19 months of sanctions, the opposition remains divided and Mike evic controls the media. The president is not up for election himself.

Serbia goes to the polk

Gaines election: The west African state holds its first multiparty presidential election on Sunday, President Lansana Conte, who took power in a comp in 1984, faces seven opponents.

Nevada bravado: MGM Grand, the US hotel, casino and travel group owned by the financier Mr Kith Keilo rian, opens a 5,000 room, 112 acte hotel and theme park in Las Vegas on Saturday. The facility cost 31bn to build and is the largest hotel casino theme park in the world.

On Sunday, Las Vegas hosts the draw for the 1994 World Cup soccar finals at Caesar's Palace.

Compiled by Patrick Stiles. (ax: (+44) (0)71 873 3194.

#### Other economic news

Monday: Central bankers hold their monthly meeting at the Bank for International Settlements in Basle. Central bankers from the Group of 10 industrial nations get together today, while tomorrow it is the

turn of the European Union. In Brussels, economics and finance ministers of the European Union convene for a longscheduled session that will have added importance in the aftermath of last week's EU summit.

Tuesday: In the UK, the Confederation of British Industry releases its monthly distributive trades survey which will highlight retail trends ahead of Wednesday: In Germany, the second round of wage talks for

metalworkers takes place in North Rhine-Westphalia. Governor Mieno of the Bank of Japan gives his regular press conference. In Denmark, parliament votes on next year's budget. Friday: Metal sector wage talks continue in Germany, in

the important southern region of Nordwürttemberg-Nord-

In the UK, the CBI's monthly industrial trends survey will highlight the haalth of the manufacturing sector.

### Statistics to be released this week

ECONOMIC DIARY

| Day<br>Released | Country | Statistic                       | Actual    | Forecast. |
|-----------------|---------|---------------------------------|-----------|-----------|
| Mon             | UK      | Nov PPI input m/m               | -1.1%     | -0.4%     |
| Dec 13          | UK      | Nov PPI output y/y              | 4%        | 3,7%      |
|                 | ŲK      | Nov PPI output(ex food,drink)   | 3.2%      | 3.2%      |
|                 | UK      | Oct manufacturing output m/m    | 0.4%      | 0.3       |
|                 | UK      | Oct manufacturing output y/y    | 1.6%      | 1.4%      |
|                 | UK      | Oct industrial production       | 0.1%      | 0.4%      |
| Tues            | US      | Nov retail sales                | 1.5%      | 0.5%      |
| Dec 14          | US      | Nov retail sales (ex autos)     | 0.9%      | 0.4%      |
|                 | Japan   | Oct machine ord(ex ships)m/m    | 18.5%     | -27.3%    |
|                 | Japan   | Nov trade bal custom cleared    | \$11bn    | \$8bn     |
|                 | Japan   | Nov WPI y/y                     | -3.2%     | -3.3%     |
| Wed             | US      | Nov industral production        | 0.8%      | +0.6%     |
| Dec 15          | US      | Nov capacity utilisation        | 82.4%     | 82.8%     |
|                 | US      | Oct business inventories m/m    | 0.3       | No change |
|                 | UK      | Nov RPI m/m                     | -0.1%     | 0,1%      |
|                 | UK      | Nov RPL y/y                     | 1.4%      | 1.6%      |
|                 | UK      | Nov RPI (ex mort int. payments) | 2.8%      | 2.8%      |
|                 | UK      | Nov retail sales m/m            | 0.1%      | 0.2%      |
|                 | UK      | Nov retail sales y/y            | 3.2       | 3.6       |
|                 | Canada  | Nov lead Indicator S.A. m/m     | 0.5%      | 0.5%      |
|                 | Spain   | Nov CPI y/y                     | 4.6%      | 4.7%      |
|                 | Finland | Nov CPI y/y                     | 1.6%      | 1.6%      |
| Thur            | us      | Oct merchandise trade balance   | -\$10.9bn | -\$10bn   |
| Dec 16          | US      | Oct merchandise exports         | \$38.9bn  | \$39bn    |
|                 |         |                                 | ***       |           |

| Released | Country  | Statistic                          | Actual .     | Forecald. |
|----------|----------|------------------------------------|--------------|-----------|
| Thur     | US       | Money supply data to Dec 6         |              | -         |
| Dec 18   | US       | Initial claims w/e 11 Det          | 335,000      | 335,000   |
|          | UK       | Nov PSBR                           | 12.7bn       | 22.8bn    |
|          | UK       | Nov unemployment                   | .49,000      | -10,000   |
|          | UK       | Oct average earnings               | 3%           | 3%        |
|          | UK       | Oct unit wages 3 monthly y/y       | 0.6%         | -0.1%     |
|          | Canada   | Oct manufacturing new criders mile | n 1.596      | 1.5%      |
|          | Canada   | Oct manufacturing shipments m/m    | 1.4%         | 1.3%      |
|          | Cenada   | Oct merchandise exports SA re/m    | 4,5%         | 2%        |
|          | Canada   | Oct merchandise imports 5A m/m     | 2.4%         | 1,396     |
|          | Canada   | Oct merchandise surplus CS         | C\$1.05bn    | C\$1.tbn  |
|          | Canada   | Out wage settlement increases      | 0.2%         | 196       |
|          | Sweden   | Nov CPI y/y                        | 4.3%         | 4.8%      |
| Fri      | US       | Nov housing starts                 | 1.4m         | 1.4m      |
| Dec 17   | Canada   | Nov CPI - A1 items N.S.A. m/m      | 0.196        | 0.2%      |
|          | Canada   | Nov CPI -A1 Rems N.S.A. y/y        | 1.996        | 1,8%      |
|          | Canada   | Nov CPI ex food/energy N.S.A. y/y  | 2%           | 1.9%      |
| During t | his week |                                    |              |           |
|          | Japan    | Nov money supply (M2.8 cesh) y/    | y 1.9%       | . 296     |
|          | Germany  | Nov WPI                            | -0.2%        | 096       |
|          | Itaty    | Oct industriel production m/m      | -0.9%        | 0.5%      |
|          | Neth'Ind | Nov unemployment three-monthly     | 5.6%         | 5.8%      |
|          | Switzid  | Nov trade balance                  | SFF(867m · · | SFF(750m  |
|          | Spain    | Nov M4 - annualised y/y            | 12.2%        | 10,5%     |

1 Having a girl in goal followed

(6) 4 Mention brewed tea, saying it 9 To find where I live look the opposite way (6)

Good man telephoned royal visitor (8) Reproduce muesli at random Rushes spring back, adjusted 13

15 Monster function for retiring 8 engineers (4)
16 Delivering if Green runs out

Stop salesmen coming back without ona bnying? (7) 21 Part about including two

25 Excites leading airman in 26 Being half dead stopped late

28 Apt, in cold, to get wrinkled Carried duck on to island (6) Long seal around old vessels

Different books to the girl's

DOWN Discharge girl that is standing embracing forwards (8) Before lunch takes guides

round vessels (8) Some seed I bleached can be 5 Very little first aid given to

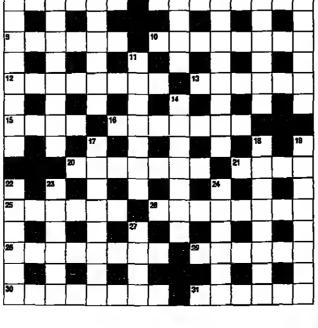
US

one standing up (4)
Catching up with key, pinch Head waiter's forgotten important number (6) Beat for putting rubbish round hydrant (6) Cazing around a queue (7)

Agree to action about this being cancelled (7) Estimate value of primate taking pairs in trouble (8) Bearing gift and card volun-teers to leave (3)

19

They deal with wax, spread or otherwise (8) Sunbathing topless is appeal ing! (6) Part of church not hard to 23 scrub (6) 24 Account for loud noise (6) 27 Head of tribe anxiously hid



**MONDAY PRIZE CROSSWORD** 

No.8,330 Set by GRIFFIN

A prize of a Pelikan New Classic 390 fountain pen for the first correct
solution opened and five runner-up prizes of £35 Pelikan vouchers will be
awarded. Solutions by Thursday December 23, marked Monday Crossword
8,330 on the envelope, to the Financial Times, 1 Southwark Bridge, London
SE1 9HL. Solution on Wednesday December 29.

Winners 8,318 Catrin Ollver, Cambridge; C.J. Bridgeman, Bastingstoke, Hants; M.E. Gill, Cobham, Sur-rey; R.S. Munro, Chalfont St Peter, Bucks; L.M. Keet, Lon-don N1; Philip Revzin, Brus-sels Relgium sels. Belgium.



"Lhoose a good brandy. That way, as the evening wears on, only the anecdotes begin to lack taste. BILL BRIDESON. 51-YEAR-OLD SUBFER, CALIFORNIA INTRODUCE SOME CALIFORNIAN INTO THE CONVERSATION SINCLE CASK MATURED BRANDY.

Of broking and jobbing the Petikan's fond. See how sweetly he puts your word onto bom Hillan O

